



THE CARBONERA FUND

CARBON DECISIONS: An Opportunity in Forest Carbon
Forest Carbon is an emerging opportunity expected to produce impressive results in both fighting climate change and generating impressive value for the carbon credits generated by avoiding deforestation and forest degradation. It is agreed that more than 18% of world emissions originate from deforestation – more than the entire global transport sector.

Prize Capital LLC is developing an investment, fund. The CarbonERA fund, to invest in a portfolio of forest carbon credits generating revenue, with project location spanning the world.

In order to maximize technical capability and deal flow, Prize Capital is entering into an exclusive partnership with Carbon Decisions, S.A. to bring leading development and methodology expertise in the development of carbon projects. The CarbonERA fund managed by Prize Capital will operate under ethical, social, and environmental standards.

Carbon Decisions is directed by Dr. Lucio Pedroni. Pedroni is the lead author on the methodology for mosaic deforestation, recently published by the World Bank as well as the author of REDD methodology for frontier deforestation currently being employed in Brazil. He has trained hundreds of people on forest carbon, CDM and climate change.

Pedroni is an established world leader in the field, having worked worldwide on projects run by the World Bank, UNFCCC, FAO and national organizations in countries ranging from Vietnam and Indonesia to Finland and Colombia. Pedroni is the lead author of the REDD chapter in the VCS guidelines for Agriculture, Forestry and other Land Uses (AFOLU). In the process he has built strong global networks of actors in the field.

Dr. Pedroni has dedicated the last 10 of his career to working on forest carbon related activities, starting with research on remote sensing of tropical forests (1996-2000) and carbon flux modeling (1999-2004), and soon moving to carbon accounting methodologies, climate change policy analysis and international advisory roles on these topics (2000-present). Since 2001, he has led a research team at the Tropical Agricultural Research and Higher Education Center (CATIE) and since 2005 he has been working with the World Bank on the development of methodologies and projects for the BioCarbon Fund.

FOREST CARBON REFERENCE SHEET

The emerging forest carbon market began with the formation of the United Nations Framework Convention on Climate Change (UNFCCC), ratified in 1994. At the third meeting of the UNFCCC, the Kyoto Protocol was

adopted which entered into force in 2005 setting emissions reductions goals for developed nations. Currently under the Kyoto Protocol, Reduced Emissions from Deforestation and Forest Degradation (in developing countries) has been excluded from mechanisms such as the CDM (described below).

REDD - Reducing Emissions from Deforestation and Forest Degradation REDD was developed as a response to the Kyoto protocol's CDM including only afforestation and reforestation projects (with very rigorous criteria) and excluding avoided deforestation. REDD is expected to be part of the post-2012, or post-Kyoto, Protocol, there is no consensus as to how REDD will be defined in the UNFCCC. Regardless of how REDD is defined, private investment is already creating a market from REDD credits. There is no doubt that REDD will play an integral part in the future of climate change mitigation, with an estimated 18% of world emissions come from deforestation and forest degradation.

CDM - Clean Development Mechanism

The Clean Development Mechanism described in the Kyoto Protocol allows for Annex B (developed) countries to earn credits towards the emission reduction that they are required to make by implementing emission-reduction projects in developing countries to stimulate sustainable development.

CCB - Climate Community and Biodiversity Standards

climate-standards.org
The CCB standards were created to evaluate land-based carbon mitigation projects during their early stages of development to address the reality that on land where carbon projects are being developed, there are communities and biodiversity that should receive benefits from the carbon project.

VCS - Voluntary Carbon Standard - v-c-s.org

The regulated carbon market has strict standards determining compliance for carbon offsets. In order to establish integrity for the voluntary carbon offsets, a standard was created. VCS is used to provide transparency to the offsets in the voluntary carbon market, in order to provide confidence to businesses, consumers, and the government in these offsets.

FCPF - Forest Carbon Partnership Facility (World Bank) carbonfinance.org Purpose - to promote forest carbon reduction by compensating developing countries for forest carbon reductions made by maintaining their forests through an internationally-consistent standard and registry program. To be accomplished through the Readiness Mechanism and the Carbon Finance Mechanism.



PRIZE CAPITAL OVERVIEW

PrizeCapital®





LAPA RIOS

THE EARTH FUND 2.0

Ecotourism: Overview of Lapa Rios

Prize Capital is investing in Ecotourism projects to protect areas of significant natural capital-valued habitat and biodiversity. Our initial asset is the renowned ec lodge Lapa Rios, a model of the highest practices in sustainability. Lapa Rios will serve as an incubator and demonstration project for sustainable technologies that can be extended worldwide.

Lapa Rios Ecology

Lapa Rios is located on 1,000 acres of pristine primary tropical rainforest teeming with biodiversity in the Osa Peninsula of Costa Rica, a model of rich habitats worldwide. Lapa Rios provides a unique solution for sustainable development: a profit-oriented conservation enterprise that can be a demonstration project to the world. Lapa Rios has been identified as the premier example of ecotourism by a variety of organizations and publications.

"Rainforest wilderness adventure in a class by itself..." Lapa Rios is featured in the PricewaterhouseCoopers (PWC) 2008 report on sustainable conservation as the leading example of a privately-run, profit-oriented nature conservation project, chosen from ecotourism and other activities worldwide. As part of the study, the World Wildlife Fund PWC report confirmed that it meets the sustainability criteria of the Convention on Biological Diversity, and contributes to the conservation and regeneration of surrounding areas and the improvement of living standards of the local community. (Report available at stein.to/pwcsustainabilityreport.pdf or <http://www.pwc.com/extweb/pwcpublishations.nsf/docid/4fe9ce9d78bfb21852572890054ecc0>.)

Lapa Rios is the only hotel or resort property to appear on both Conde Nast's Gold and Green Lists, in addition to receiving its Readers Choice Award multiple years. Lapa Rios has garnered a long list of accolades from the travel industry, including Travel + Leisure's World's Best 2008 & 2007 and Andrew Harper's World's Best.

Its sustainability aspects were recognized by the US State Department Award for Corporate Excellence in 2005 and the Rainforest Alliance Sustainable Standard-Setter in 2007, and it maintains Rainforest Alliance's high standards and certification for ecotourism operations today. Lapa Rios also became the first hotel to receive a 5 leaf distinction from the Certificate of Sustainable Tourism (CST) in 2003.

"A forest left standing is worth more than one cut down." Lapa Rios was built by John and Karen Lewis as a private nature reserve protecting some of the last remaining tropical lowland rain forest existing in Central America. Today it successfully protects 1,000 acres of mostly

primary rainforest from logging and uncontrolled development and creates a sanctuary for a variety of plants and animals, many of which are found nowhere else in the world. A conservation easement ensures that this rainforest will be preserved in perpetuity.

A sustainable way of doing business

Designed in harmony with the surrounding forest and beach environment, the Lapa Rios main lodge and bungalows are built of local, natural, renewable materials. Extremely committed to energy conservation, the site uses passive design and renewable sources. Lapa Rios demonstrates technological and natural solutions: kitchen waste is fed to pigs whose waste fuels a methane digester, which then fuels the kitchen, creating a perfect closed loop system that generates energy on site.

Lapa Rios is a pioneer in sustainable tourism employing only people from the local community and committing to the highest environmentally sound practices. Guests provide direct employment and income to more than 62 families in the area. laparios.com

Lapa Rios Foundation

Lapa Rios has a long tradition of working with the local community, with its initial project raising funds to build the first school in the area. The independent Carbonera School opened in 1993, built by and employing locals, and incorporating environmental education into the curriculum.

A Foundation is being formed dedicated to preserving and enhancing the well-being of its surrounding areas and community. Future funding will support projects and organizations to study and protect its terrestrial and marine resources. laparios.com/lapscho.htm

Cayuga Sustainable Hospitality

Lapa Rios is managed by Cayuga Sustainable Hospitality S.A., based in San Jose, Costa Rica.

The owners of the management company are Andrea Bonilla and Hans Pfister, both graduates of the Cornell Hotel School.



Conde Nast Gold List 2008, Reader's Choice Award Winner 2007, Readers Choice Award 2005, Conde Nast Green List 2005, Conde Nast Gold List 2004, 2003 Conde Nast Top 10 Hotel in Latin America, Travel + Leisure Jan 08: Lapa Rios among the world's best 500 Hotels, World's Best Awards 2007, Andrew Harper World's Best Hotels, Resorts & Hideaways 2006, Andrew Harper's Hideaway of the Year, Rainforest Alliance 2007 Sustainable Standard-Setter, US State Department Award for Corporate Excellence 2005.

Earth Fund 2.0

Prize Capital Renewable Fuels Prize GEF, IFC & X PRIZE Foundation Relationships

Inducement prizes have been used for over a century, leading to transformative events in the evolution of particular technologies. Prizes create extraordinary leverage as they:

- reach across national and disciplinary boundaries and compel global audiences to invest the intellectual and financial capital required to solve the seemingly intractable challenges of our time.
- attract incredible media attention that provides public education and attracts sponsors and investors.
- can be utilized to address global climate change and environmental challenges, particularly for the developing world.

By definition only one team can win each prize. But society can benefit from all the efforts, many of which may prove to have commercially viable applications even if they are not the first to reach the finish line.

Prize Capital has developed a model which enables prize competitions to serve as innovation and deal generating search engines. Under this model, a parallel investment fund permits investors to share in the success of the competition winners, as well as in the success of those that may not win the competition, but may win market share in the commercial market. Prize Capital's prize mechanisms are designed to provide investors with the opportunity to support "every horse in the race." The diversification within the class of direct competitors is designed to mitigate risk. Moreover, the fund may also generate attractive returns even if none of the contestants actually wins the stated prize.

Prize Capital is an early stage venture applying its methodology to global environmental challenges, and has begun exploration of prizes in the areas of energy, forest monitoring and water. Our most developed concept is in the area of renewable fuels.

Renewable Energy Prize

Current renewable fuels technologies are criticized for being inefficient, costly, unsustainable and incompatible with existing vehicles and infrastructure. The Prize Capital Renewable Energy Prize will accelerate development of breakthrough technologies for sustainable, small-scale decentralized production systems for liquid transport fuel. Prize rules will produce a winning technology that is energy- and cost-efficient, sustainable and compatible with today's infrastructure. Draft prize rules were developed with a panel of expert advisors representing the Natural Resources Defense Council, Shell International Gas, Environmental Entrepreneurs,

Federation of American Scientists, Pacific Northwest National Laboratories and more.

Organizational Roles

Prize Capital will stimulate capital for emerging inventors and provide the investment funds for competitors. Prize Capital intends for the X PRIZE Foundation (XPF), the leading global mega-prize producer, to manage the prize competition. Prize Capital also seeks to develop advanced market commitments with international agencies and governments.

Earth Fund

In November 2006, Prize Capital began engaging the Global Environment Facility (GEF) to include its unique financing mechanism and the Renewable Energy Prize as part of its proposed Public Private Partnership (PPP). The GEF's Global Council approved the PPP, including the Capital for Prizes mechanism, in June 2007, and appointed the World Bank/International Finance Corporation (IFC) as the Implementing Agency to manage the new initiative as the Earth Fund.

The Earth Fund was launched in December 2007 at the United Nations Framework Convention on Climate Change in Bali. At this press conference Lee Stein joined the GEF CEO and IFC's Vice President to announce the GEF/IFC relationship with Prize Capital and proposed prizes. (see the Earth Fund press release: prizecapital.net/about/press.html.)

Global Environment Facility (GEF)

Since 1991, the GEF has provided \$7.4 billion in grants and generated over \$28 billion in co-financing from other sources to support over 1,950 projects that produce global environmental benefits in 160 developing countries and countries with economies in transition. GEF funds are contributed by donor countries. (thegef.org)

International Finance Corporation (IFC)

The IFC is the private sector arm of the World Bank focused on developing private sector markets in developing countries by crafting new financial tools that enable companies to manage risk and broaden their access to foreign and domestic capital markets. (ifc.org)

X PRIZE Foundation (XPF)

XPF produces global inducement prize competitions to achieve radical breakthroughs for humanity. To date prizes have launched in the areas of space, health and transportation. (xprize.org)