



PrizeCapital®

About Prize Capital

What is Prize Capital's mission?

Prize Capital's mission is to provide capital to early-stage innovators.

Traditional funding mechanisms are not designed to deliver capital to early stage or non-traditional innovators, preventing the world from benefiting from these innovations.

Prize Capital accomplishes its mission by deploying its proprietary financial model to support third-party prize awarding entities' competitions. Specifically, the Prize Capital methodologies are designed to attract investment capital for individual competitors of these competitions.

What is Prize Capital's venture finance mechanism?

Approximately 30 percent of all prize competition winners originate from outside of the competition field, spurring out-of-the-box approaches to overcoming longstanding barriers. The Prize Capital venture finance mechanism establishes a new approach to venture investing that taps the power of prizes. This mechanism introduces a simple but powerful innovation: rather than a cash entry fee paid by the entrants, the entry fee takes the form of Prize Capital having the right to co-invest, in competitors' future rounds of financing. It will invest as a passive "tag-along" investor on identical terms as other co-investors.

Prize Capital's investment approach allows it to invest in multiple dynamic problem solvers – direct competitors within a given sector – while creating value regardless of which team wins a given competition. The model possibly enables an investment in "every horse in the race" – each of which may be winners in the marketplace after the prize competition is over.

How does the Prize Capital venture finance model assist prize competitions?

Recent prize competitions have demonstrated the ability to attract capital to leading competitors. For instance, the winner of the \$10 million Ansari XPRIZE spent \$26 million in order to win the prize (and the competitors altogether spent over \$100 million in pursuit of the prize). The Prize Capital venture finance mechanism provides a platform for even the smallest of competitors to secure additional funding, more appropriately develop their technology, and compete more fiercely. The end result is a stronger overall prize competition.

Why is the prize competition kept separate from the prize financing?

A natural concern for prize entrants is that by investing in competitors, Prize Capital will face a conflict of interest, and that key intellectual property could be compromised. To address this concern, the following rules and protocols have been created in order to avoid any favoritism or even perceived favoritism:

- The rules of the competition are 100% transparent and are published on a website for public viewing.
- Prize Capital does not administer or judge the competitions. The competitions are managed by an independent and objective non-profit organization.
- Prize Capital does not request or expose itself to competitors' IP details; It simply takes the option to be a passive "tag-along" investor on identical terms as other co-investors.
- Prize Capital does not take a board seat or perform any management advisory services for any of the competitors and therefore has no mechanism to influence their actions.
- Prize Capital and the non-profit follow strict policies to avoid a conflict of interest or even the perceived conflict of interest. Prize Capital will serve as a passive investor, not serving as a director or playing an advisory role with any company.

What is Prize Capital's relationship with the non-profit organization that will run the competition?

Once the rules for a prize are established, Prize Capital will enlist an independent and objective non-profit partner with an expertise in inducement prizes, like the XPRIZE Foundation, to review and refine the rules, to manage the competition, and to judge the final results. The non-profit will help recruit the expert panel of advisors and attract the publicity that will benefit the firms participating in the contest.

Under the Prize Capital model, who owns the competitors' intellectual property?

Prize Capital will have the right (but not the obligation) to co-invest in every round of each teams' financings. Hence, Prize Capital may select to passively place additional capital into teams that seek financing – without seeking board seats or exposure to intellectual property. If teams never seek financing, Prize Capital will not have the right to invest. In either case, the competitor – or the competing entity – maintains its intellectual property.

