

XPRIZE Water Scarcity

Competitor Undertaking FAQ

Q: Why is the Title Sponsor requiring competitors to sign an undertaking that would allow the former to invest alongside others in the potential commercialization of solutions developed via the XPRIZE Water Scarcity competition?

A: Water scarcity is a problem of global dimensions, and one that is poised to increasingly threaten human life and prosperity everywhere. The Title Sponsor has supported the XPRIZE Water Scarcity competition hoping to alleviate water scarcity through accelerated innovation to enable sustainable and affordable access to the planet's most prolific water resource, saline water that makes up roughly 97.5% of all water on earth.

While it is hoped that the XPRIZE Water Scarcity competition will bring forward novel solutions, it is also understood that identifying such solutions is only a first step toward addressing water scarcity and that real progress will also require accelerated commercialization, scaling and adoption. Moreover, while the XPRIZE Water Scarcity competition is targeting one of the most prolific options for alternative fresh water production, it will not address all water scarcity scenarios, and additional efforts, including R&D, philanthropic giving and even additional prizes are likely to be required.

Taking all of this into account, the Title Sponsor has sought to introduce a mechanism into the design of the competition via which it may contribute to the accelerated commercialization of solutions emerging from this competition, while simultaneously creating potential future revenue sources that can support further work on this and similar humanitarian initiatives.

The specific mechanism involves a guaranteed 5% participation right in any securities offering that is decided by competitors advancing to the semi-finals of the competition to the Title Sponsor via the execution of a Competitor Undertaking at the outset of the competition. The term of the Competitor Undertaking, including the participation right, begins on the date that a competitor is advanced to the semi-finals stage of the competition and expires five years after the competition concludes.

In function, the Competitor Undertaking would simply allow the Title Sponsor, at its discretion, to participate proportionately up to 5% in any securities offering (e.g., equity raise, convertible note issuance, etc.) related to solutions developed via the competition and under whatever terms the semi-finalist competitor had independently obtained and accepted from a lead investor(s) in such an offering. Additionally, competitors advancing to the semi-finals would agree over the same period to provide the Title Sponsor with a notice of any planned sale of their equity in or intellectual property (IP) arising from such solution(s).

Q: Which competitors are required to sign the Competitor Undertaking?

A: Under the competition guidelines, all competitors seeking to enter the competition are required to execute the Competitor Undertaking in order to join the competition, however, the specific provisions of the undertaking will only become binding and effective once a competing team has advanced to the semi-

finals of the competition. For teams that do not advance to the semi-finals of the competition, the undertaking and its related provisions will never come into effect.

Q: If the Competitor Undertaking only becomes effective at the semi-finals stage of the competition, why not wait until the competition has advanced to that stage before requiring competitors to execute the Sponsor Undertaking?

A: As the Title Sponsor is fully committed to transparency, it wished to disclose this mechanism at the outset of the competition so that all competing teams would be able to fully assess the terms of the Sponsor Undertaking before choosing to proceed. Waiting to execute the Sponsor Undertaking until the semi-final stage of the competition also creates a risk that teams unwilling to abide by its terms (and therefore unwilling to advance to the semi-finals could disadvantage other teams ready to pursue the competition to its conclusion, consuming limited funds set aside for milestone grants and potentially displacing teams that would otherwise have qualified for the semi-finals.

Q: Will the contemplated participation right granted under the Competitor Undertaking complicate the competitor's ability to raise capital to commercialize any solution(s) it develops through the competition?

A: Great care has been taken in the design of the Competitor Undertaking to ensure that it does not frustrate any competitor's ability to secure funding, including an optimal valuation for any IP that the competitor develops or improves via the competition. Not only do we believe that the terms of the Competitor Undertaking are non-damaging to the interests of competing teams, we actually believe that they will prove to be accretive, as they create automatic access to an additional source of potential funding (one incidentally based in the heart of the global desalination market), while allowing for full retention of IP ownership and full, unhindered market discovery regarding the value of such IP.

Thinking through the entire spectrum of possible outcomes of the Competitor Undertaking, in a best case scenario, the exercise of the participation right would result in a qualifying competitor securing 5% of any required commercialization capital at terms that it had already accepted and found attractive, and in a worst case scenario, a decision by the Title Sponsor not to exercise its participation right would leave the competitor in a position equivalent to what it would have been in had no such participation right existed. In this sense, the possible outcomes of the participation right are neutral to positive, with no potential for downside outcomes.

Q: What percentage of equity or ownership in our team or project does the Title Sponsor anticipate acquiring in the event of a Securities Offering?

A: The Competitor Undertaking only results in a participation right of up to 5% of any securities offering. Any participation beyond this amount would be at the full discretion of the competitor and subject to mutual agreement between the parties. However, in the event that the competition leads to a highly successful innovation. It is easy to envisage scenarios in which both the Title Sponsor and the competitor may find it mutually attractive to increase the level of investment by the Title Sponsor into any securities

offering. Nevertheless, there would be no obligation for the competitor to accept such additional investment.

Q: Does the participation right afforded by the Competitor Undertaking grant the Sponsor the ability to dictate pricing in any covered securities offering? If not, how would pricing and terms of the Title Sponsor's participation in future Securities Offerings be determined?

A: The design of the participation right leaves the pricing and terms of any future security offering completely in the hands of the competitor, allowing the latter to obtain the best terms possible through unhindered recourse to the market. Once the competitor had landed on pricing and terms that it found attractive, the Title Sponsor would merely have an option to join as a minority co-investor under those same terms. If the Title sponsor found those terms to be attractive, it would exercise its right to participate, but if it did not, the competitor would be under no obligation to amend the terms in order to facilitate the Title Sponsor's participation.

Q: Is the participation right afforded by the Competitor Undertaking limited to Securities Offerings directly relating to the competition, or does it extend to other fundraising activities (i.e., what impact would this have if a competitor wanted to start a business venture completely independent from the competition)?

A: The participation right is limited only to security offerings directly relating to IP arising from or improved via the competition. Any securities offering undertaken by the competitor involving IP or business activities that are unrelated to the competition would not be subject to the terms of the Competitor Undertaking and would, therefore, not result in a participation right.

Q: How will the competitor undertaking impact the ability of the competitors to make business decisions independently?

A: The Competitor Undertaking does not afford the Title Sponsor any ability to influence business decisions made by the competitor. Even in a scenario in which the participation right granted under the Competitor Undertaking were exercised (i.e., resulting in the Title Sponsor becoming an investor in the competitor entity offering the securities), the Title Sponsor would not have any special rights stemming from the Competitor Undertaking, but would rather only enjoy those shareholder rights afforded to investors under the terms of the securities offering that had been put forward by the competitor and commensurate with the Title Sponsor's percentage holding in the competitor entity.

Q: Is this a one-time right or does the Title Sponsor have the ability to participate in multiple future Securities Offerings?

A: The Title Sponsor would have the option to participate in any covered securities offerings made by the competitor during the term of the Competitor Undertaking, giving the former the ability to participate in

as many or as few security offerings as the competitor undertakes during the term of the Competitor Undertaking.

Q: Why does the Title Sponsor wish to receive a notice of any qualifying competitor's intent to sell their equity or ownership in IP developed via the competition?

A: The logic for requesting a notice of any intended sale is similar to that surrounding a possible securities offering, as it is intended to allow the Title Sponsor to assess whether it may wish to make an alternative offer for the equity or IP being sold, seek to join with the purchasing party in some form of strategic alignment or not to seek any role in the potential transaction at all. Again, the design of the notice does nothing to obstruct the qualifying competitor from gaining full, unhindered market discovery and the highest possible valuation for its innovation. As with the participation right, the potential spectrum of outcomes emerging from the sales notice requirement range from an accretive outcome in which the competitor may receive an improved offer over what they have already obtained from the market to a neutral outcome in which they proceed with any existing offer that they had already secured and found attractive.

Q: What happens if the competitor never engages in a security offering or sale related to any solution(s) developed via the competition?

A: In such a scenario, the time-bound participation right never comes into effect and simply lapses at the end of its term, leaving the competitor free to proceed in the commercialization of its solution(s) as if the Competitor Undertaking had never existed. Such a scenario is likely of particular importance for competitors capable of funding the commercialization of any solution(s) developed via the competition from their own balance sheet or sources of non-dilutive capital, such as non-convertible debt (e.g., large multi-national corporations, government research institutions or large academic institutions, all of whom the Title Sponsor hopes will field teams in the competition).

Recalling that accelerating the commercialization of solutions arising from the competition represents one of the key motivations for the design of the Competitor Undertaking, the Title Sponsor has no desire to slow or complicate commercialization efforts by teams able to fund such commercialization without recourse to outside sources of equity capital.

Q: Can competitors have their legal counsel review and advise on the Competitor Undertaking?

A: Yes. Indeed, the Title Sponsor encourages all competitors to review the Competitor Undertaking with their respective legal counsel, as we believe that such reviews will confirm the accretive and non-restricting character of the terms of the Undertaking.

Q: What if I have additional questions regarding the Competitor Undertaking that are not addressed here?

A: The Title Sponsor has established a point of contact for any additional questions regarding the Competitor Undertaking, and teams are encouraged to submit additional questions in writing to the following address: inquiries@mohamedbinzayedwi.ae . Potential competitors submitting requests for clarification are encouraged to provide adequate contact information, including an email address and telephone number in order to facilitate responses from the Title Sponsor organization.