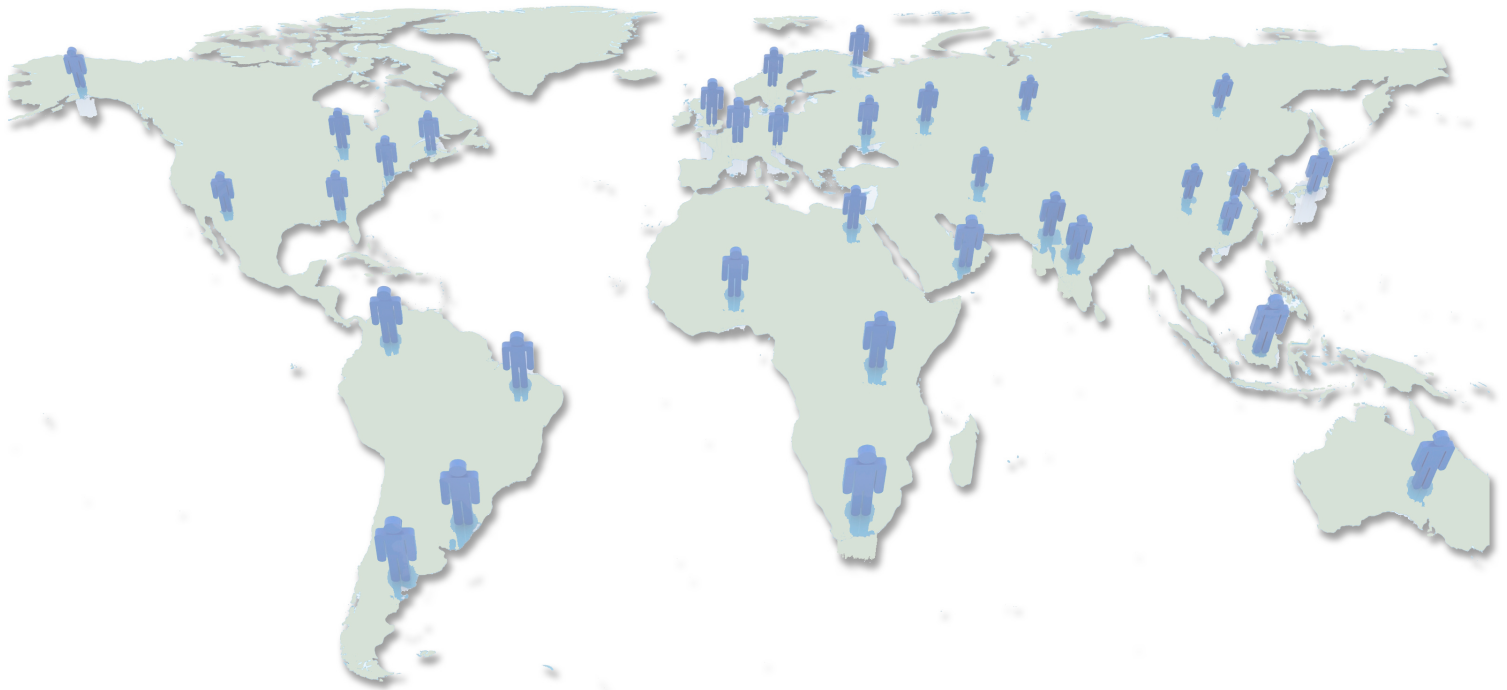


OPEN SOURCE CAPITALISM



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ENABLED AND POWERED BY:

THE
INCUBATION
FACTORY

OPEN SOURCE CAPITALISM

Powered by The Incubation Factory

The Incubation Factory is introducing Open Source Capitalism to the world. Open Source Capitalism provides a global alternative to Wall Street. This revolutionary platform creates an investment vehicle to aggregate start-ups worldwide. Investors receive ample, normalized returns and access to private equity opportunities at all stages of investment. Operationally, Open Source Capitalism powers an Assembly Line of Innovation, fueled by strategies designed to reduce risk, maximize reward, and shorten the cycle time from start-up to maturity.

Why label this platform open source? Early web developers decided that it would not be practical to change the world using a legacy system of closed-end, proprietary practices. These pioneers created the concept of 'open source' as a practical methodology to allow for a self-enhancing, cooperative community that resulted in unprecedented levels of innovation. In that spirit, Open Source Capitalism was designed to provide similar levels of unprecedented, fair access designed to help grow the next generation of disruptive innovations.

Open Source Capitalism allows worthy innovations to thrive within a revolutionary platform, reinventing the innovation industry itself by solving fundamental problems with fundamental solutions.

OPEN SOURCE CAPITALISM: The Critical Need

Innovation is the engine that drives the global economy. Start-up companies are the place where new jobs and disruptive, opportunity-creating innovations are born. However, the current systems to support this critical portion of our economy are broken. While there are literally thousands of available innovations worthy of investment and commercialization, a massive funding gap exists that does not provide these brand new companies the air they need to breathe, thereby stifling innovation itself.

Current investment systems for pre-revenue companies are insufficient and disorganized, resulting in a high failure rate and frequent capital loss. This deters repeat investment from critical capital sources and leaves others on the sideline. Investments in later stage companies get poured into the very few firms who need capital the least. This unfortunate, yet fixable reality leaves game-changing innovations to wither on the vine.

In order to grow the Innovation Age economy, innovation is critically needed at the very foundation of our financial, operational and educational systems. Yesterday's financial and operational solutions are inadequate to build tomorrow's great companies. Open Source Capitalism, enabled and powered by The Incubation Factory, is the much-needed bridge to the future of human and economic development.

THE INCUBATION FACTORY

Dan Schmitt, a repeat Inc. 500 winner and one of the country's foremost experts on start-ups, founded the Incubation Factory (TIF) with the intent of creating a process to scale innovations en masse. Schmitt combined \$25 million in personal investment, more than twenty years of direct experience in founding early-stage companies, and extensive research into the best practices of the country's fastest growing companies to prove out The Incubation Factory model.

A handpicked Executive Team with extensive early stage experience leads the Incubation Factory. The company is developing a Global Advisors Board consisting of world thought leaders in their respective fields. These teams will be brought together to govern the national and international growth of The Incubation Factory.

The Incubation Factory is the:

- Creator of “Open Source Capitalism”: a viable alternative to Wall Street, which allows investors access to opportunities not previously available.
- Creator of the “Assembly Line of Innovation”: a business model development process that builds companies around technologies in a scalable fashion enabling commercialization of worthy innovations en masse.
- Creator of the “TIF Branch”: a shared-value, economic development cluster, designed to create economic and social benefits under the Open Source Capitalism platform.
- Creator of the world’s first Global IP Syndicate: a process to import and export validated intellectual property among established partners.
- Creator of “Open Source Financing”: A specific mechanism that insures investment is governed for profitability, accountability, and transparency.

TIF’s ASSEMBLY LINE OF INNOVATION: Years in the Making

The Incubation Factory’s Assembly Line of Innovation scales the innovation process by transforming happenstance and disorder into actionable steps. The result is an integrated platform that contains proven operational strategies and processes that reduce risk, maximize reward, and shorten the cycle time from start-up to maturity.

Some of the features of the Assembly Line of Innovation:

- Utilizes proprietary trade secrets for finding and vetting innovations that typically have already benefitted from millions of dollars in research and development.
- Focuses on unattached technologies which allows The Incubation Factory to retain a larger ownership percentage for the same investment compared to traditional angel or venture-backed companies.
- Lowers burn rate as much as 70% versus traditional models via a streamlined launch.
- Enables the reduction in spending on any given technology, or a cessation of spending altogether, which provides greater flexibility over traditional venture-backed companies.
- Replaces industrial-age business plans and governance with an information-age business model development program.
- Centralizes back-office services and provides a custom web-based collaboration system to enable efficient start-up success and management.
- Aligns incentives at every level through an executive compensation plan that ensures “skin in the game” by limiting executive salaries and emphasizing success-based compensation.

TIF BRANCHES: Our Global Footprint

To scale its business model, The Incubation Factory is organizing a national and international network of TIF Branches. Each branch will be fully supported by The Incubation Factory’s established operational process. Branch founders and their advisory boards share in branch ownership. These branch teams are made up of dozens of high profile people who share the same passion for real job growth and responsible investment returns.

Some benefits of this structure include:

- Clustering shared-value economic development for the purpose of commercializing up to twenty technologies in a select geographic area;
- Creating economies of scale for sourcing technologies (locally, nationally and internationally) which will result in better deal-flow and selection;
- Centralizing the back-office needs of each TIF portfolio company which will enable entrepreneurial teams to focus their talents and energy on core business outcomes;
- Aggregating investment in start-ups, which will seek to both reduce normal risk and improve returns.

Each branch will be partially owned by the iLEARN Education Fund. Distributions made to the iLEARN

Education Fund will be dedicated to initiatives that develop human capital and entrepreneurship through the integration of business and education.

OPEN SOURCE FINANCING: Creating a Perpetual Portfolio

The concept of Open Source Financing provides an improvement to private equity placements by providing a predictable return to investors via an ever-expanding roll-up of start-ups designed to achieve profitability, accountability and transparency.

- **Profitability:** Open Source Financing is based on the principal of perpetuity where seventy-five percent (75%) of Branch distributions are obligated primarily to investors until a pre-determined target return is achieved. Once achieved, seventy-five percent (75%) of TIF distributions from a Branch are reinvested into the platform. This commitment to innovation is unprecedented, unparalleled, and critical.
- **Accountability:** Open Source Financing requires acute accountability, as every dollar spent must be accounted for within a well-defined business model development process.
- **Transparency:** Open Source Financing requires a defined feedback loop where investment decisions, business cases, financial reporting and all relevant documents related to the performance of a portfolio company are available on an as-needed basis for all stakeholders.

GLOBAL I.P. SYNDICATE: Democratizing Global Distribution

TIF's Open Source Capitalism platform includes formation of the world's first intellectual property (IP) syndication program. This program provides many standalone and integrated benefits:

- Source technologies go through a streamlined licensing process to provide for early stage deal flow in the United States. This process includes an exclusive option for permanent licensing arrangement for a commercial enterprise based in the U.S.
- Technologies validated in the U.S. are sub-licensed to other international partners for distribution. Sub-licensing is done on a pass-through royalty basis to prevent dilution.
- In instances where the license option is not exercised in certain countries, technology creators are provided with an explicit business case outlining gaps in commercialization potential which arms the technology creator with improvement paths toward commercialization.
- Foreign TIF Branches are largely owned and operated locally and have their own funding mechanism to commercialize companies in adherence with the principles of Open Source Capitalism.

CONCLUSION: The Time is Now

The timing could not be better for introducing Open Source Capitalism, a paradigm-changing concept and process. The confluence of current economic uncertainty, disillusionment with Wall Street, and heightened understanding that the government cannot 'fix it' brings together the impetus for creating a new system. Not fixing the old system- but creating a new one with unprecedented access to investment, entrepreneurial activity, and reward - the democratization of capitalism.

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- DISRUPTING THE CAPITAL PYRAMID -

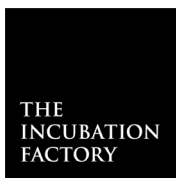
"You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete."

- R. BUCKMINSTER FULLER

OPEN SOURCE CAPITALISM

	EXISTING PARADIGM	THE ALTERNATIVE
PUBLIC STAGE	<p>Via an initial public offering (IPO), public stocks are introduced with layers of built in perverse incentives which funnel returns to very few, resulting in a system with negligible returns for investors, wreaking havoc on wealth management services.</p>	<p>UNPRECEDENTED ACCESS achieved through a direct public offering (DPO) for all investors, leveling the playing field by transforming Wall Street's finance capitalism into Main Street's democratic capitalism.</p>
LATE STAGE	<p>Typically venture capital firms who have become more and more selective as a means to target a 4X return with preferred positions at the expense of common shareholders.</p>	<p>UNPRECEDENTED ACCESS to qualified investors to invest along side of select institutional investors.</p>
EARLY STAGE	<p>Typically angel investors who gamble to achieve a 20-30X return but most investments fail eliminating repeat investment.</p>	<p>UNPRECEDENTED ACCESS to achieve high returns from an ever expanding 'roll-up of start-ups' with responsible governance to ensure repeat investment.</p>
IDEA STAGE	<p>Unlimited ideas spontaneously generated from the masses with 99% of ideas rejected.</p>	<p>UNPRECEDENTED ACCESS to deal flow qualified and vetted by subject matter experts whereby TIF is selected as the preferred commercialization agent.</p>





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