

# The microFunding® Exchange: Guidance Notes for Inventors

## What is the microFunding® Exchange?

**The microFunding® Exchange is a unique new three-way funding process. It introduces...**

Thousands of **Inventors** seeking funding with **brilliant ideas** but no time, or little business experience and money

To

Thousands of **Managers** with **proven skills and experience** of making serious money for other people, and who now want the chance to have a real interest in a business

To

Thousands of **Investors** - 'Business Angels' - with the **money and motivation** to back exciting early stage opportunities, when they are managed by a highly skilled and experienced marketing team

**...with the idea that they all make as much money as possible - quickly!**

## What is in it for me?

### Got a great idea but don't know how to fund it?

The microFunding® Exchange helps fund great business ideas. It really increases the chances of finding money and making it into a serious business success. The rewards are based upon the well proven formula of **'30 for the inventor, 30 for the investor and 30 for the management'**.

It gives you, the Inventor, the chance to:

- **realise your ideas** at minimum - to - zero personal cost
- **have your ideas protected** and exploited on your behalf to the maximum extent by experienced and skilled business managers without the need for further personal involvement
- **have it paid for and managed by other people** and yet still keep a big stake in the success of your ideas without further commitment of time or money
- **continue to do what you do best** - come up with more great ideas!

**By finding a sector experienced manager to run their project, inventors give themselves the best possible chance of profit.**

## What do I have to do?

You will need to complete your personal and contact details on the 'my account' page and agree to the microFunding® Terms and Conditions.

To begin the process, you need to register your idea **SECURELY** and **CONFIDENTIALLY** on the microFunding® Exchange. You can do this directly on [www.microfunding.co.uk](http://www.microfunding.co.uk), or through any Introducer's website. Worthwhile ideas are original and are genuinely believed to have commercial potential.

The idea will be seen by hundreds of accredited, experienced Managers **all of whom have signed strict Confidentiality terms.**

## What does it cost?

The cost to the Inventor will vary according to what extra services any Introducer might be providing, but to register direct on the microFunding® site is just £15.00 including VAT.

After the idea has been selected from the list of Inventions, there may be additional costs payable directly to the Manager depending on what is needed to be done to create a viable Proof of Concept Project, but it is guaranteed to be as low as possible. Most Managers will in any case fund this themselves.

The fee for raising the funds to run the Proof of Concept Project will vary. Currently Angels Den charge £499, payment of which will have to be agreed between the Inventor and the Manager. Most Managers will expect the Inventor to fund this.

There will be no further costs for the Inventor once the Project has been funded.

## What makes a good idea?

When is a brilliant invention also a 'good' idea?

### Size, Scale and Scope

Does the idea address solving other people's real problems? Or is it a clever solution looking for a problem to solve?

If it is original can be made and sold profitably and does have a market, how big is the market? Will everyone need one frequently and regularly, or will it sell only occasionally to specialists? Could it become a range or series, or is it a one-off?

### Timing

Have you heard about the man who invented the Gas Meter? Brilliant idea, but he died in poverty. The trouble was that he invented it a hundred years before domestic gas was commercially available, and his problem was poor timing.

### Evolution or Revolution

Does it simply modify or improve something already in use so as to make it easier, or cheaper, or quicker, or better? Or, even though it is brilliant, will it mean that consumers will have to change their habits and manufacturers change their production lines? How brilliant would it have to be for this to happen?

### Protection

Has the idea been had by others before? If so, it might really struggle to be exploited and even if it succeeds the others might claim a slice of the pie.

Is the idea similar to something else, so that it could be challenged? And don't forget that the 'something else' might not be on the market - big companies have hundreds of thousands of patented inventions stored away defensively, to protect the sales of their other products.

## What is the microFunding® process?

Inventors post their ideas confidentially and securely, without having to commit to any future involvement in starting growing or managing the future business - but keeping a large stake in it.

Managers with a broad range of commercial skills have secure access to these ideas, and subject to strict confidentiality select those that in their judgment and experience have the best profit potential.

For this, the Manager can grow a business in which he has his own large personal stake.

The critical part of the process is the Proof of Concept Project. By eliminating less viable inventions and identifying the winners early at little cost, the Proof of Concept Project gives Investors the chance of real Rewards at reduced Risk. So the Manager's first task, at his own time and reputation risk, is to specify what the 'concept' is and its proof by whom, by when, at what cost and to what criteria. The Manager is expected to use approved suppliers for much of this work, and while he will also cost his time it is unlikely that he will attract investors if the project's cost is excessive.

Investors from *Angels Den* - again securely and confidentially - have access to those ideas pre-selected by the Managers, and give their financial backing to the projects they choose. By backing the skills and experience of the Manager, rather than the idea alone, they greatly improve the risk-reward ratio of investing and so have a far better chance of profit while absolutely limiting their downside.

The responsibility for the success of the project and ensuing business is wholly up to the Manager. He has sole discretion over the strategy and its implementation, including personnel. The inventor may be required for his technical input, or not; it is up to the Manager.

Investors are guaranteed to be able to back the successful projects, or if they wish they can sell their investment rights for an early, smaller, profit.

If a project is successful, Inventor, Manager and investor each have a minimum guaranteed share of the success. If in order to become commercially successful both Manager and Investor have to risk more time effort and money, the guaranteed minimum share is 30% for each of the three parties. Because the Managers' shares are held as options, they can't realise anything before achieving a cash exit and so have a real incentive to work towards this goal as early and as profitably as possible. If however the Manager can arrange a profitable Licensing deal, with considerably lower risk for himself and the Investor, only half is split into three so the guaranteed minima of the ensuing business are that the Inventor takes 60% and the Manager and Investor 15% each.

## **The process – in detail from the Inventor's point of view**

- The Inventor has an idea from which he creates a potentially commercial Concept
- The Inventor reads and agrees to the microFunding® terms and confidentiality; the Inventor registers on the microFunding® Exchange through any introducer's website. The site can be accessed only with unique user name and password. Once on the site, Inventors only have access to their own posted Inventions.
- The Inventor registers his Concept as a microFunding® 'New Invention' through any Introducer's website.
- The Registration fee depends on the Introducer and can be as little as £15.00. This is payable upon registering the Concept.
- Using the microFunding® template, the Inventor describes his Concept in terms intended to excite the interest of a Manager but without (at this stage) disclosing any secrets.
- When he is happy with his description, the Inventor posts the Concept so that it becomes visible to Managers.
- The Concept is identified as possibly having significant commercial potential by a skilled and sector-experienced Manager.
- The Manager registers his interest on the website, signs a new Concept-specific Confidentiality Agreement and re-confirms his agreement to the microFunding® Terms and Conditions.
- The Inventor gets a copy of the signed Concept-specific Confidentiality Agreement and a copy of the Manager's CV
- The Inventor decides whether or not to meet the Manager, and re-confirms his agreement to the microFunding® terms and Conditions
- The Manager is introduced to the Inventor.

[www.microFunding.co.uk](http://www.microFunding.co.uk)

- There is no limit to the number of Managers who can express interest or to whom the Inventor can request introductions.
- If the Inventor wants help in deciding who to work with from several interested Managers, he can ask for a short list to be prepared by an experienced Senior manager. There is a charge for this service, microFunding® itself is not involved.
- The Inventor and Manager contact each other and agree whether or not to work together under microFunding's® Terms.
- At his own time and reputation risk the Manager specifies and costs a 'Proof of Concept' Project, writing a Proof of Concept plan and Summary
- The Project Summary is written for and posted on Angels Den as a 'Summary' to attract Investors
- For details of the Angels Den posting fee see [www.angelsden.co.uk](http://www.angelsden.co.uk). It is currently £499. The Manager and Inventor must agree between them how this is to be funded.
- The Manager is wholly responsible for the Project specification, delivery, timing and personnel; he is answerable to microFunding® for performance.
- The Inventor has no right to be involved in the Project, and will be involved only if the Manager at his sole discretion so decides. Clearly, it is probable that the manager will require the Inventor to provide at least technical advice and support in the short term.
- The Inventor is given feedback on the levels of activity and interest in his microFunding® Concepts, both absolutely and also relative to all postings on the site.
- Should any Concept fail to attract interest from any Manager within a reasonable time, it is archived in the microFunding® Concepts Library.
- The Inventor receives a £5.00 credit against future postings for each Concept that is archived.
- As the Inventor's interests are guaranteed by microFunding® from this point on the Inventor does not need to have any further personal involvement in the Project.

## What documentation is required?

To apply to microFunding®:

- A good original - and hopefully commercial - idea
- Complete the 'New Invention' details on the website

When a manager applies for a project:

- Inventor will receive a signed Project specific Confidentiality Agreement
- Inventor will receive a copy of the managers CV
- Re-confirm agreement to the microFunding® Terms and Conditions

To post a project on Angels Den:

- Nothing, but the cost of posting (currently £499) must be met between the Inventor and the manager

To manage a funded project

- Subscription Agreement documents completed between Inventor Manager and Investor(s)

All documents prepared by solicitors B P Collins of Gerrards Cross and available for inspection