



Become a Successful  
Entrepreneur



Erasmus+

## **Seed Funding** **Your initial capital to success**

1. Angel Investors
2. Incubator Firms (Incubators) / Accelerators
3. Crowd Funding / Investing
4. Friends, Fools and Family (FFFs)

---

### Contact

P.O Box 25483, Nicosia  
1310 Nicosia, Cyprus

Tel: +357 99 646922  
Fax: +357 22 459639

Email 1: [info@baseproject.eu](mailto:info@baseproject.eu)  
Email 2: [mcipr1@cytanet.com.cy](mailto:mcipr1@cytanet.com.cy)

[www.baseproject.eu](http://www.baseproject.eu)



Become a Successful  
Entrepreneur



Erasmus+

## Angel Investor

An «Angel Investor» is an investor who is willing to fund, via capital, a start-up company or the entrepreneur himself. This type of investment, is usually smaller in amount compared to that one can acquire via venture capital. However, this smaller amount doesn't make this type of investment less considerable as it can represent a significant source of funding and cash flow, especially in times where such company is facing financial issues. It is important to note that at the very beginning of building a company, cash-flow is a usual and significant problem faced. By finding and using an investment coming from an Angel Investor, the company minimizes significantly the danger of low or none cash-flow during its initial period. This type of funding can assist importantly with the timely payment of responsibilities such as working capital, including employee payments, whether those are just the shareholders or / and other staff. Furthermore, such an investment provides the company with the chance of starting with a proper and effective marketing strategy, since it provides the funds to proceed with means of marketing such as paid advertisement.

Contrary to venture capitalists, Angel Investors invest their own funds (hence the lower amounts). Moreover, a fundamental difference between the two aforementioned types of investments, is the fact that angel investors do not solely focus on gaining profit from their investment, but rather to the success of the company they have invested in. This type of approach is also the reason these investors are characterised as "angels". It is not uncommon that these investors are in the circle of contacts of the company, meaning the company's shareholders and directors. In the cases where, these investors do not fit the previously mentioned profile, several times these can be skilled entrepreneurs, with significantly more experience, who are looking to continue being active in specific entrepreneurial fields, thus providing further assistance, other than financing, by providing management services and, therefore, expanding the company's network via their own acquaintances and contacts. With the provision of capital, knowledge and contacts from these "angels" a start-up can bloom faster and easier and convince future investors to invest further in it, thereby establishing the company's viability.

## Incubator firm (Incubators) - Accelerators

Incubator firms (Incubators) are considered those which aim at making profit through handing out capital and funding to companies needing it. Usually they take up on the role of mediator between angel investors, venture capitalist, the government or other investment funds and the interested companies seeking investment to be injected in it. Incubators differ in their strategy and operating ways. Specifically, they provide services through a specific physical space through which the interested company can directly come in contact with them while others are also active through the internet.

---

### Contact

P.O Box 25483, Nicosia  
1310 Nicosia, Cyprus

Tel: +357 99 646922  
Fax: +357 22 459639

Email 1: [info@baseproject.eu](mailto:info@baseproject.eu)  
Email 2: [mcipr1@cytanet.com.cy](mailto:mcipr1@cytanet.com.cy)

[www.baseproject.eu](http://www.baseproject.eu)



Become a Successful  
Entrepreneur



Erasmus+

Incubators are also called, in some cases, “Accelerators”, in which cases they help start-ups which are not in financial or cash flow trouble to move on forward to the next level of their financial cycle. In these cases, usually, there is a physical space where the selected start-ups are invited to go where they attend courses with regards to how to upscale their products and / or services as well as how to run their business, for a specific period of time. At the end of each training period, a “pitch day” takes place whereby the participating start-ups pitch / present their products and services to interested investors, with the aim of receiving further funding in the form of private investment. This type of incubators are widely known and spread in field of ICT businesses and which are active and conduct business on the internet.

It is also important to note that, a significant number of such accelerators possess their own funds in order to invest on those start-ups, while some others have developed a strong network of contacts and collaborators with prospective investors in order to be able to raise the necessary funds. Furthermore, they have immediate access to networks of lawyers, financiers and economists, while they maintain close relations with ambitious entrepreneurs to whom they provide other services as well. Thus the interested company ensures access, not only to capital, but also to networks, services and clients as well as the experience of the incubators themselves.

### Investment Crowdfunding

Investment crowdfunding is a way of securing capital through the participation of many interested investors in a company in exchange with equity via privileged shares. In most cases, such investments are made possible through specialized web platforms. The procedure is composed of three actors, namely the initiator proposing the idea, the groups of investors supporting the idea and the platform itself acting as a mediator between the other two parties. Additionally it is important to mention the fact that these platforms can be of general or specialized interest.

In the cases of such investments, entrepreneurs already have secured the necessary capital via angels and / or venture capitalists, bank loan etc in order to start their activity and already have tangible results which renders them able to convince future investors to invest in their companies. Here the investment aims at the development of the company and the expansion of their turnover.

Such funds can be created, most of the time, in developed markets where the necessary and proper information is available, which ensures the investor of the safe character of any type of investment in a company.

---

#### Contact

P.O Box 25483, Nicosia  
1310 Nicosia, Cyprus

Tel: +357 99 646922  
Fax: +357 22 459639

Email 1: [info@baseproject.eu](mailto:info@baseproject.eu)  
Email 2: [mcipr1@cytanet.com.cy](mailto:mcipr1@cytanet.com.cy)

[www.baseproject.eu](http://www.baseproject.eu)



Become a Successful  
Entrepreneur



Erasmus+

### Friends, Fools and Family (FFFs)

This category constitutes the simplest of those included in seed funding, since it is mainly composed of the first individuals who will show trust and will believe in the proposed idea. These people, due to the feeling of trust they experience towards the idea / company as well as towards the people composing it, they invest in the company at its very beginning and following its registration, where there is no proof of success.

Only 1% of start-ups manage to receive an investment via venture capital for their initial idea. This leads to the conclusion that investments coming from the «3Fs» are especially important at the early stages of a company. Inevitably, a young and new entrepreneur, even if a bank loan has been secured, will have to also secure their own contribution in order to kick start the company and show that they are taking a risk as well. For this exact reason an entrepreneur must develop a network of individuals who will support and believe in them prior to proceeding to the idea implementation.

**Tip from the Team:** *Once one decides to enter the world of entrepreneurship, it is important to take into account and calculate the proper and necessary initial capital. Implementing this procedure, one is rendered able to select properly the initial source of funding for their business. Furthermore, following making the choice one must be carefully examined the sub choices offered, in order to save time through avoidance of trying to convince the “wrong” people.*

---

#### Contact

P.O Box 25483, Nicosia  
1310 Nicosia, Cyprus

Tel: +357 99 646922  
Fax: +357 22 459639

Email 1: [info@baseproject.eu](mailto:info@baseproject.eu)  
Email 2: [mcipr1@cytanet.com.cy](mailto:mcipr1@cytanet.com.cy)

[www.baseproject.eu](http://www.baseproject.eu)



Become a Successful  
Entrepreneur



Erasmus+

Sources:

1. Wikipedia, "Seed Money", [https://en.wikipedia.org/wiki/Seed\\_money](https://en.wikipedia.org/wiki/Seed_money)
2. Investopedia, "Seed Capital", <http://www.investopedia.com/terms/s/seedcapital.asp>
3. Quora, "How does seed funding work?", <https://www.quora.com/How-does-Seed-Funding-work>
4. Investopedia, "Angel Investor", <http://www.investopedia.com/terms/a/angelinvestor.asp>
5. Entrepreneur Magazine, "Getting started with angel investing", <http://www.entrepreneur.com/article/52742>
6. Forbes, "20 Things All Entrepreneurs Should Know About Angel Investors", Richard Harroch,,  
<http://www.forbes.com/sites/allbusiness/2015/02/05/20-things-all-entrepreneurs-should-know-about-angel-investors/>
7. Investopedia, "Incubator Firm", <http://www.investopedia.com/terms/i/incubatorfirm.asp>
8. Entrepreneur Magazine, "5 Questions Every Startup Should Ask Before Choosing an Incubator", Punit Arora, <http://www.entrepreneur.com/article/229856>
9. Investopedia, "Crowdfunding", <http://www.investopedia.com/terms/c/crowdfunding.asp>
10. Financial Times Lexicon, "Definition of 3 Fs", <http://lexicon.ft.com/term?term=3-Fs>
11. On startups, "Raising Capital: Friends, Family and Fools",  
<http://onstartups.com/tabid/3339/bid/216/Raising-Capital-Friends-Family-and-Fools.aspx>
12. Entrepreneur Magazine, "8 Best Practices to Seek Funding From Friends, Family and Fools", Martin Zwilling, <http://www.entrepreneur.com/article/246404>

---

**Contact**

P.O Box 25483, Nicosia  
1310 Nicosia, Cyprus

Tel: +357 99 646922  
Fax: +357 22 459639

Email 1: [info@baseproject.eu](mailto:info@baseproject.eu)  
Email 2: [mcipr1@cytanet.com.cy](mailto:mcipr1@cytanet.com.cy)

[www.baseproject.eu](http://www.baseproject.eu)