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UNH Business Angel Financing Network Reaches 1 Billion Mark
UNH Business Angel Financing Network Reaches $1 Billion Mark

By Janet Lathrop
UNH News Bureau

January 9, 2000

DURHAM, N.H. -- The Access to Capital Electronic Network -- ACE-Net -- which was launched at the University of New Hampshire in 1996 to help small businesses find equity capital, has helped raise approximately $1 billion to date, according to a recent report by the federal Office of Advocacy in the Small Business Administration (SBA).

From modest beginnings on the Durham campus, the Internet-based network now employs 63 network operators in 45 states, the District of Columbia and Puerto Rico. ACE-Net boasts about 340 active investors (plus another 735 who were recently issued passwords), to benefit 234 companies seeking investment capital. Another 912 small companies are in the enrollment process. The listing service, which collects fees from both investors and businesses to cover administrative costs, is expected to become self-sufficient on schedule next month, SBA reported.

ACE-Net has been "phenomenally successful," says its project director, A. R. "Venky" Venkatachalam, associate professor of information systems at UNH's Whittemore School of Business and Economics. ACE-Net not only helps businesses find investment capital, it assists with focusing goals, developing business plans and marketing strategies, and other start-up work. The network was a very deliberate attempt to address an inefficiency in the equity capital market identified in the mid-1990s by SBA and dubbed "the capital chasm."

"That's kind of a catchy name given by SBA to describe what had been happening to businesses that needed less than about $5 million but more than $250,000 to start a new company or to get into manufacturing, for example," Venky explains. "Technically it was an
equity funding gap, in which the equity marketplace, or
investors, were not meeting the needs of small business.
It was a serious problem, with the potential to harm the
economy."

While SBA stresses that ACE-Net does not match
investors with entrepreneurs, it is fair to liken it to a
very large, well organized and highly specialized
bulletin board. Managed by Venkatachalam at the
Whittemore School and by Patrick Messer and Allan
Wright at UNH's Research Computing Center, along
with network operators throughout the nation, ACE-Net
has made this economic niche significantly more
efficient in five short years.

One of the barriers SBA had identified was a
bewildering patchwork of state laws. Venky recalls,
"There were literally 50 different regulations governing
investment in small businesses. In 50 states we had 50
languages. You can imagine that crossing state lines
was a nightmare, so investors basically stuck to their
own state."

SBA changed that by proposing model "accredited
investor exemption" laws, which 40 states adopted
between 1996 and 1998. "That was a very, very big
milestone," Venky says. Once a state adopted the
common regulatory language, ACE-Net was there to
offer a nationwide, password-protected list for
businesses and investors. Security is tight for ACE-Net
subscribers, not just to protect proprietary information,
but because private venture capitalists -- so-called
angels -- jealously guard their anonymity.

Another barrier SBA helped to remove were federal
Securities and Exchange Commission (SEC) rules and
paperwork governing disclosure and risk statements.
Partly because of safeguards built into ACE-Net's
thorough application process, SEC now assumes that
ACE-Net accredited investors are capable of practicing
"due diligence" before committing funds to a new
venture.

Among ACE-Net's success stories is one about a
Connecticut inventor. He developed a nifty product that
saved building contractors significant time and money,
but he fell directly into the "capital chasm" when
seeking venture capital to begin the manufacturing
phase. After a few sessions with his local network operator, he focused his goals and soon negotiated a license and royalty agreement for patent rights worth $11 million. He is reportedly now actively back on ACE-Net with another patent.

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