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UNH Business Angel Financing Network Reaches \$1 Billion Mark

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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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