

# D.C. start-up incubator 1776 merges with Philadelphia co-working space

[washingtonpost.com/news/capital-business/wp/2017/10/16/d-c-start-up-incubator-1776-merges-with-philadelphia-co-working-space/](http://www.washingtonpost.com/news/capital-business/wp/2017/10/16/d-c-start-up-incubator-1776-merges-with-philadelphia-co-working-space/)

By Aaron  
Gregg



President Barack Obama chats with workers at start-up incubator 1776 during a 2014 visit. (Martin H. Simon/Pool/EPA)

District start-up incubator 1776 has merged with a Philadelphia-based co-working space called Benjamin's Desk, a company spokeswoman confirmed Monday, capping off a slew of executive departures and false starts for the fledgling tech incubator.

Evan Burfield, 1776's chief executive, will cede leadership to Benjamin's Desk co-executives Anthony Maher and Jennifer Maher, who will become co-executives of 1776. The combined company will be branded 1776 and function with separate headquarters in Philadelphia and the District. The company's venture fund will continue to operate as a separate legal entity owned by 1776 investors.

"We believe that the expanded 1776 represents a next-generation model for what incubators can be, how they can help entrepreneurs launch and scale, and how they can serve their communities," Burfield said in an email. "Over the coming months, we look forward to revealing more of that expanded vision." Burfield will serve as executive chairman of the combined company.

The Mahers, who are in-laws, say they want to focus on expanding the incubator's influence throughout the East Coast. "We are focused on making economic impact at every level, from individual entrepreneurs to city government to higher education institutions," Anthony Maher said.

## ADVERTISING

Terms of the deal were not disclosed. 1776 has rarely offered details of its transactions, making it hard to determine whether the operation is financially sustainable. Three people familiar with the incubator's finances who were not authorized to speak on the record told The Washington Post that 1776 struggled to stay cash-flow positive after its first year as new investments weighed heavily on its books.

A person close to the deal who was not authorized to discuss the matter described it as a complicated stock merger in which shareholders of both companies now hold significant ownership interests in the combined company, with current 1776 shareholders investing some new capital in the combined firm as part of the deal. There was no cash component, the person said.

News of a potential merger was first reported in mid-September by Glen Hellman, a business consultant and executive coach who runs a tech blog.

The incubator was founded in the District in 2013 with the help of a \$200,000 city government grant, and it quickly attracted funding from AOL co-founder Steve Case and his wife, Jean. Under the terms of the grant, 1776 was required to stay in the District for five years.

It was part of a broader effort by then-Mayor Vincent C. Gray to nurture technology companies in the District. That push also included a \$32.5 million tax break awarded to LivingSocial, the once-high-flying daily deals company that ended up laying off hundreds of staffers and [being absorbed by Groupon](#), its chief rival.

The goal of 1776 has been to help fledgling tech companies build businesses in so-called regulated industries, such as health care, energy and transportation, by leveraging the city's government institutions and connections. Co-founder Donna Harris used the term "[regulatory hacking](#)" to refer to the building of unique technology businesses around government.

At 1776, a colorful co-working space is outfitted with couches, meeting rooms and common areas for people to hold events, similar to spaces offered by start-ups such as WeWork. A partnership with education company General Assembly gives the start-up members access to coding classes and other training programs. The incubator cultivated an extensive network of official mentors to help tutor start-ups and connect them with potential investors.

Some of 1776's early alumni became mainstays of the Washington start-up scene, but none became the job-creating juggernauts Gray had in mind. A company called [Social Tables](#) expanded to an office of its own and hired more than 100 employees after getting its start at 1776. Another app, the transportation-focused [RideScout](#), was eventually bought by European auto company Daimler.

But 1776 soon started reaching beyond Washington.

It launched an international "[Challenge Cup](#)" competition for start-ups, with \$50,000 checks for the winners. It recruited investors for a \$12.5 million [venture fund](#) to make small investments in early-stage start-ups, but many of the fund's investments went to start-ups outside the D.C. area.

It tried to break into Silicon Valley when it bought a San Francisco-based incubator called Hattery, only to divest its holdings after two years.

It branched out to New York's Brooklyn Navy Yard last year, but that expansion plan has been complicated by the departure of Rachel Haot, the former New York City official hired to run the Brooklyn location [who left the firm](#) in

August. A 1776 spokeswoman said the company will continue its New York expansion after the merger.

The incubator opened its first international campus in Dubai last summer, but it is unclear whether that effort will continue at 1776. Dubai managing director Ned Jaroudi recently stepped down from his position, though he remains involved as an adviser. In a Tuesday interview, Burfield declined to say whether 1776 would continue its Dubai operations after the merger.

“We’ll have a specific announcement about some of the relationships and the evolution of Dubai over the next couple of weeks,” Burfield said.

Some regard the incubator’s global push as an unfortunate departure from its original mission.

“What made 1776 so unique and special to me and so many people is that it provided an unbelievable resource to entrepreneurs in the D.C. area that didn’t exist before,” said David Zipper, who played a role in the incubator’s founding as Gray’s director of business development. Zipper left 1776 earlier this year. “But as 1776 kind of moved away from those guiding lights, in my mind it became something different.”

Burfield’s decision to cede leadership to the Mahers means the incubator’s executive leadership team is based primarily in Philadelphia. The Mahers both live in Philadelphia, but Jennifer Maher will split her time between the two headquarters.

Benjamin’s Desk began under similar circumstances to 1776, with a mandate to jump-start Philadelphia’s technology scene. But the company focused more closely on making use of its real estate assets and partnering with other organizations. The company is profitable, Anthony Maher said this week.

The move caps off a string of executive departures for 1776. Four years in, nearly every member of the original leadership team has stepped down, as well as most of the high-profile hires the incubator brought in to spearhead its various expansion initiatives.

First was Paul Singh, who joined 1776 through another merger only to leave soon after his arrival. Later came Donna Harris, the incubator’s co-founder, who [stepped down](#) last year. Then communications executive Erin McPike left to become a White House correspondent at the Independent Journal Review. Managing director Rusty Greiff left last spring to join Maryland education technology company 2U.

The latest is Peter Cherukuri, who was a senior advertising executive at Politico before he was hired to be the incubator’s chief innovation officer in August 2016. Cherukuri is now leaving to start an unspecified new media venture. He declined to discuss his plans in detail.

Burfield is leaving his post as chief executive to head up a new software company called Union, which operates a social network for start-up incubators. Engineers at 1776 started developing the platform more than a year ago as a way to connect virtually with other start-up hubs.

Union will take on some seed capital from existing 1776 investors as part of the deal, though the exact amount was not disclosed. Burfield’s team will work out of 1776’s Crystal City location and try to raise additional capital from investors.

“We’ve found that building global networks ... is often better done through the sort of software and data programs that we’ve done at 1776,” Burfield said of his decision to move on.