

Title: Collaborative Startup Communities Bolster Entrepreneurship—But for How Long?

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Collaboration is the name of the game for the entrepreneurial community in 2013. Startup incubators and accelerators are cultivating the seeds of new business that might not otherwise sprout in the wake of decreased venture capital funding for early stage companies, a decline that PricewaterhouseCoopers and the National Venture Capital Association predict will continue into 2013.

Despite the increased competition for funding, or perhaps because of it, entrepreneurial ecosystems across the country are flourishing within startup incubators and accelerators. These cooperative programs provide new entrepreneurs with mentorship, practical training, resources and other tools they need to build the successful, sustainable businesses that will attract today's investors.

Chicago's startup community is especially vibrant, boosted by nationally-recognized startup incubators/accelerators and entrepreneur-friendly programs brought to Chicago by Mayor Rahm Emanuel.

Chicago-based Excelerate Labs is recognized by Forbes as one the nation's top incubators/accelerators. The program is an intensive 13-week summer accelerator for startups driven by proven entrepreneurs and investors. World-class mentors from around the country collaborate to work in direct one-on-one meetings with the ten business teams selected to participate in the program. Excelerate culminates in an Investor Demo Day, where the companies showcase their progress and plans to angel and venture investors from around the country.

Fueled by the momentum of the city's Internet sensations like Groupon, GrubHub and Orbitz, the energy behind Chicago's blossoming startup community is largely centered on technology ventures. 1871, one such co-working center for digital and tech startups, opened just last year and has already become a thriving center that more than 160 early-stage companies call home. It has hosted well over 100 events and welcomed over 12,000 visitors to its 50,000 square-foot facility at the Merchandise Mart since opening in May, 2012. The center, aptly named after the year of the Great Chicago Fire, captures the essence of that period of Chicago's history characterized by innovation, entrepreneurship and the use of new technology to build the Second City.

Other Chicago-based incubators/accelerators are fostering support for Chicago's social enterprise community. Ventures such as Impact Engine, Panzanee and Praxis Labs aim to attract and develop social-purpose startups, creating a unique pipeline of social ventures coming out of Chicago.

Mayor Emanuel has also made entrepreneurial and small-business development a priority for Chicago. He has created programs like ThinkChicago, which selects highly talented college students and exposes them to entrepreneurship and innovation, and Chicago Ideas Week, a seven-day event featuring marquee speakers and interactive sessions that Emanuel and Groupon founder Brad Keywell envision to be the best known idea symposium in the nation. The Mayor's 2013 city budget also includes an initiative to restructure the City's business assistance program, turning it into a full-service, one-stop shop for small business owners with the objective of providing better, more efficient services to Chicago's small business community.

Despite the bleak projections for seed and early stage VC funding in 2013, new businesses in Chicago and beyond are budding in the light of supportive entrepreneurial communities.

Still, skeptics are predicting that accelerators are headed for a shakeout. With more than 100 incubators and accelerators supporting thousands of startups around the country, most of them unlikely to survive, Mountainview, California's Y Combinator, the granddaddy of accelerators, is pulling back, offering smaller class sizes and small investment sizes. And others are likely to follow suit.

In the months and years ahead, new ventures are less likely to benefit from the incubator/accelerator strategy. And all of them are well advised to consider all their options to raise early funding and gain the mentoring that comes with it.

The Law Offices of Marc J. Lane, P.C., would be delighted to help you explore your venture's funding alternatives, including the opportunities presented by incubators and accelerators. Please feel free to call Marc Lane at 312-372-1040 (or 800-372-1040), or e-mail him at mlane@marcilane.com.

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