

Feds approve BrightStar's application to be a tax-exempt organization

By [Kathleen Gallagher](#) of the Journal Sentinel
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[BrightStar Wisconsin Foundation Inc.](#), a [new group](#) with an unusual plan for using charitable donations to make venture investments in young state companies, has received federal approval to operate as a tax-exempt organization.

The Internal Revenue Service approval announced Monday paves the way for BrightStar to start investing \$7 million already pledged by donors and begin raising more, said Tom Shannon, the foundation's president.

"We can now officially begin our work to engage donors, raise funds and invest capital in the Wisconsin early-stage companies that are poised for the most growth and job creation," said Jeff Harris, BrightStar Wisconsin's co-founder and chairman.

BrightStar's investment committee will likely vote at its January meeting on some of the 12 companies that already have applied for funding, Shannon said. BrightStar earlier this month [hired](#) Lorrie Heinemann, former Wisconsin Department of Financial Institutions secretary, to aid in the fundraising effort.

Many questioned whether BrightStar would be able to get the tax-exempt status, said John Neis, managing director of Venture Investors LLC in Madison. But Shannon and the others were willing to pursue a novel path where donors are providing funds for the good of the state, not the return, he said.

"It's great to have another active player on the entrepreneurial scene trying to bring money to the table," said Neis, whose firm recently [closed](#) on more than \$80 million of commitments for a fifth venture capital fund.

Shannon said some investors will be attracted by BrightStar's charitable mission.

"People work hard for their money, harder for recognition and hardest for causes. This is a cause," he said.

Earnings and returns from BrightStar's portfolio companies will be re-invested as part of the foundation's mission to create high-quality jobs and spur continued growth in Wisconsin's economy, the foundation said.

Harris, Shannon and BrightStar's six other founding donors have pledged at least \$500,000 each, for a total of \$6 million, to seed the foundation. BrightStar received another [\\$1 million commitment](#) from Albert "Ab" Nicholas, founder and chairman of Milwaukee-based [Nicholas Co.](#) BrightStar also [has received](#) support and a \$300,000 pledge from the Wisconsin Economic Development Corp.

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