

Perspectives on Side Car Fund Investing

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At the [Ohio TechAngels](#) (OTA), we use side car investing as a way to benefit our members, our portfolio companies and the state of Ohio. It's truly at the core of what we do.

The term "side car investing" means different things to angel investors. Here's what it means to us: once we have voted to invest in a company and have agreed upon terms, conditions and pricing, we encourage our members to invest alongside OTA under those same terms and conditions. Our members close and fund their sidecar investments on the same day as OTA funds its investment and leverage the expertise and legal expenses of OTA.

Our portfolio companies are happy to take on these additional investors and we make it easy for our members to get as much information as they desire about each company. We host a "side car séance" for each of our new portfolio companies so that our members can ask questions they may have been reluctant to ask in a larger group setting. For members interested in a sidecar investment, we also make all of our diligence material available on our password-protected website.

In 2010, we invested a total of \$1.6 million in four companies. Those companies also received another \$1.375 million from fifty three sidecar investments from members of OTA. That's leverage of almost one to one on OTA's investment in these companies. And that's not all. Our four new portfolio companies raised an additional \$3.1 million from other angel funds in Ohio as well as institutions and individuals. OTA's investment was leveraged almost three times, and the four companies in which we invested raised an average of \$1.54 million each.

This additional leverage creates more deal flow for OTA because we are able to show entrepreneurs that their "return on effort" for pitching to us will go beyond our standard OTA investment of \$200,000. (For you readers with sharp pencils, we were able to invest \$400,000 instead of \$200,000 in each of our 2010 deals because of the confluence of our second and third funds.) The seven angel funds in Ohio have signed an agreement that allows us to share due diligence materials, and we have developed a relatively standard set of terms and pricing disciplines.

Side car investments allow our OTA members to tailor their angel portfolios to their individual investing strategies. Our members make sidecar investments in companies that they can positively influence with connections and advice as well as capital. Angel investors who have allocated a set amount of money to the angel capital asset class can tailor their own investment strategy, particularly those who wish to invest more than the amount they have invested in the OTA funds themselves.

The typical sidecar investment by an OTA member is between \$10,000 and \$100,000. Recently, several OTA members who made investments on the high end of that range received nearly \$800,000 each from a portfolio company that had a successful exit with a strategic buyer.

One of our goals at OTA is to create wealth for entrepreneurs and investors in Ohio in the belief that they will reinvest part or most of their gains back into their own companies or a series of Ohio companies. Sidecar investing helps provide the fuel for successful exits and future reinvestment in Ohio.