

The VC Turndown Translator

When entrepreneurs are raising large follow-on rounds angels often ask them "Have any VCs expressed interest in this round?" Often the responses reveal the CEO's naiveté regarding VC-speak. Angel Directors should provide their CEOs this guide to translate VCs' comments into how seasoned angels generally interpret them. Too many entrepreneurs trumpet their innocence by whining that VCs won't just tell them "No." If they approached fund raising from VCs' perspective they would realize that by never providing a definitive turndown VCs keep the door open for future dialogue, just in case their deal landscape becomes arid or your performance becomes enticing (i.e. they want to enjoy a free option.)

CEO's Statement

Angels' Translation

"We haven't approached any VCs yet, but several have called us."

No VC is interested. Outbound calls by VCs are placed by interns, and never by any VC who will have a vote to learn more about the venture. The firm may just be gathering market information for their portfolio companies. Be very circumspect about what you reveal to strangers over the phone!

"They are definitely interested and want to be kept apprised of

No VC is interested. Is "they" a partner or an intern? They want to *our progress.* track your progress in touch because it costs them nothing and you might reveal some free, helpful market intelligence.

"Our round is too small for them."

No VC is interested. I cannot recall when so many VC firms have been placing so many seed bets. Your round is definitely not too small for every VC out there. You just have failed to convince them that their potential return is big enough to justify taking a deeper dive into your opportunity.

"They really love what we're doing, but we're too early for them."

No VC is interested. VCs seek both a great jockey and a powerful horse and make exceptions when either ensorcel them, but you haven't. Would they invest in Zuckerberg's new idea without even seeing bar napkin scribbblings? If he appeared in the starting gate riding a burro they would cover him with a mountain of their money. You, not your idea is too early, but this does not mean that stunning traction cannot get their sincere attention later."

They told us to come back the instant we hit XXX milestones."

No VC is interested. This is just a wiser way for them to ensure you will remember to come back to them, plus be more diligent in keeping them abreast of your progress in the interim.

"They said to come back when we have a lead investor."

"Our contact (a non-partner) is going to mention our deal at their next partners meeting."

No VC is interested. Admittedly, a few firms have a policy against leading deals, but why bother with them? If they will not provide any introductions to prospective leads they are signaling they hope you never find one.

No VC is interested. Wake me up when you have two meetings with the same partner.

SUMMARY: The purpose of this guide is not to disparage entrepreneurs who are inexperienced in VC interactions. It is merely a coaching tool so that CEO's do not appear sophomorically optimistic when summarizing to angels their early conversations with VCs.