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Last week was pretty crazy. I knew what was coming first thing Monday morning and the week didn't disappoint.

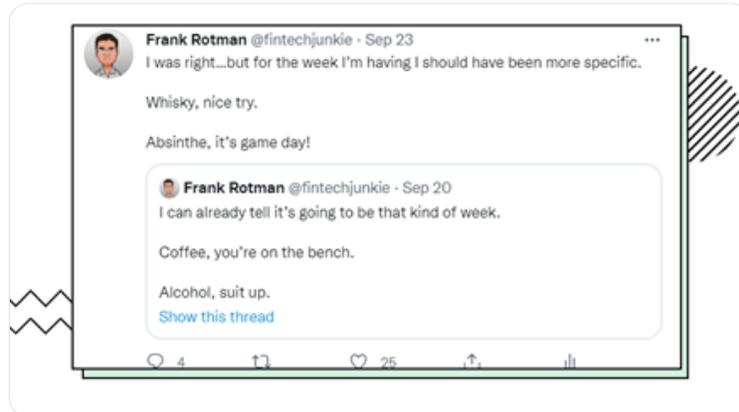
A few thoughts on how the VC ecosystem is quickly evolving:



2/22: Anyone who regularly reads my threads has a good understanding of my angst about how the ecosystem has been shifting from “deep diligence and pricing discipline” mode to “FOMO and speed for optionality” mode.

3/22: The speed of this shift is dizzying for those of us who have been around a while. I was talking to a seasoned Investor who commented that he's seen more change in the past 3 months than in the previous year and more change in the past year than in the previous 5.

4/22: Last week was crazy because it was full of situations that reflected these changes. I knew I was going to struggle to deal with them, hence my Monday morning “humorous” tweet. And as the week played out, I doubled down on humor as an internal defense mechanism.



5/22: Situation #1 – Term Sheet First, Diligence Later

One of the old PE behaviors that I thought was gone reared its ugly head. A round for one of our portfolio companies was about to close and it became obvious that the lead was still working through primary diligence.

6/22: Because there were other parties circling, they issued an attractive term sheet to lock up the company. But the reality was that real diligence didn't start until after exclusivity kicked in. This created significant chaos as they “learned” about the company.

7/22: This is fine if a firm intends on closing on schedule with near certainty and has no intentions on re-trading based on their diligence work. But in this case, none of those things were true. We quickly had to work on a “Plan B” because the deal was very likely to break.

8/22: Situation #2 – Exploding Term Sheet

We lost the opportunity to join a round because of an exploding term sheet. We knew the company quite well and had been tracking/talking with the Founders regularly. We even knew the likely lead and were coordinating with them.

9/22: We had been asking for an update on their growth/metrics for months and the Founders kept the info very close to their vests and said that we'd be the first to know when the data room was available. We didn't push because we were being respectful.

10/22: We also had been in conversations with the potential lead comparing notes and discussing deal terms. The deal was likely to be pricey but we were excited about the company's prospects and were pretty certain that we'd get there in the end.

11/22: The data room finally opened and we jumped on it. We were about a week in and getting ready to schedule the company for an IC meeting a few days later when we found out that the Board met and the company accepted an exploding term sheet.

12/22: The term sheet was with the party we had been talking to but the price was almost 2X what we had discussed. The lead didn't rope us in because things were moving quickly and he didn't want to complicate the deal. Speed was everything. He wanted to wrap it up.

13/22: One of their Board members called and asked if we wanted a large allocation in the round (possibly up to \$20MM) but we needed to let them know in the next 2 hours. We ultimately had to let it go which sucks given the relationship we had built.

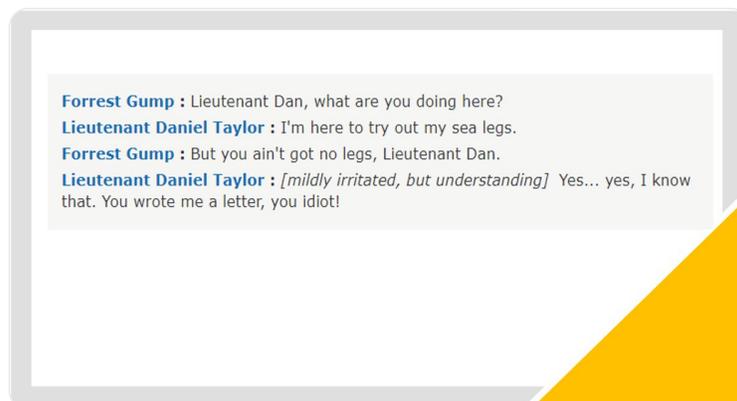
14/22: There were apologetic messages exchanged between the Founders, the lead Investor, Board members and our team. Having a deep pocketed Investor who could wire unlimited capital into the company was important to them and we understood. There are no hard feelings.

15/22: Situation #3 – Playing Nice

Last week we issued a term sheet to a company that I'm excited about. I worked with the Founder and existing Investors to understand their needs and we were able to "hit the ask". The Founder sent a message that said: "Received with gratitude."

16/22: The next day, one of my Partners saw them live. He casually asked about the status of our term sheet. The CEO said: "We are letting some other parties finish their partnership meetings on Monday, wanting to give funds the same courtesy you would want after weeks of work."

17/22: This message came around the same time that we found out about the exploding term sheet in Situation #2 so I felt rudderless. What should I do? The message made me appreciate the Founder even more, but I felt like Lieutenant Dan in Forrest Gump talking about his sea legs.



18/22: In all fairness, there were amazing events that occurred during the week that balanced out the craziness (like [@remity](#) going public 🔥). But the environment has me shook.

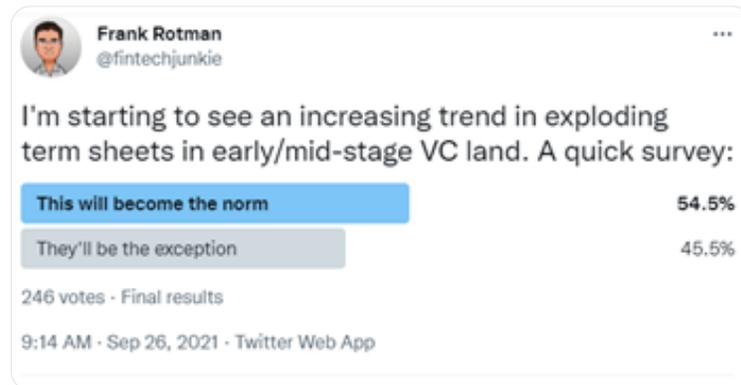
So here are a few of my personal high-level takeaways:

19/22: Takeaway #1:

We've entered a period that feels like a reality dating show where VCs and Founders need to decide to get hitched after speed dating. Lots of marriages will be made but there's no concept of "divorce" in the VC world. General advice: Buckle up buttercup.

20/22: Takeaway #2:

Speed matters so being the first to issue a credible term sheet is a good strategy. Exploding term sheets might be on their way back but I really wonder if a VC will actually withdraw a term sheet if a Founder asks for more time. I'm not convinced they would.



21/22: Takeaway #3:

Running a fast process means favoring insiders and firms that don't double-click on factors that govern how the business/ecosystem works. Founders need to internalize the type of VC that will get to the finish line fast and VCs that double-click need to adapt

22/22: Final Takeaway

We might be entering a new environment where being thorough finishes last. Speed, quantity over quality and FOMO are accelerating. Perfect match courtships, price discipline and proof-based conviction are all on the decline.

And if I don't figure it out:



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