Tegus Transcript

Vannevar Labs - Former Head of Business Development at Vannevar Labs

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Former Head Of Business Development at Vannevar Labs, leaving in January 2022. Expert is highly familiar with the technical nuances of the various contracting DoD conducts with companies in this space and the strategies required to obtain the necessary contracts for long-term sustainability.

Expert is Head Of Business Development at RR.AI

Former Sr. Director, Counter Unmanned Systems BD Group (CUAS) at Anduril Industries, leaving in Jan 2022.

Tegus Client

Hello. Thank you for taking the time to speak with me today about innovate and curate solutions for unmet needs within the defense space. Specifically, we would like to talk more about Vannevar Labs in order to understand what their approach is, how they're trying to differentiate themselves within the market and what their true value proposition is. To start off, could you please give us a quick overview of your background and experience in this space?

Former Head of Business Development at Vannevar Labs

Sure. I was in the military for about 10 years and got involved in a lot of emerging tech programs when I was a special operator, specifically remote advise and assist and virtual accompany kit, which used to be somewhat cutting edge, and now becoming kind of standard, which is often.

It's a way to digitally fight wars with your partner force, a lot of what's going on in Ukraine by now, actually, where there are U.S. advisers that not in their country, but they have a way to see where their partner force is, help them coordinate, and how to work different types of assets to support their mission.

Back in the day, in 2014, 2013 time frame, no one would really help you do this. You kind of had to do on your own, build your own servers, your own gateways and own networks. When I got to the military, I wanted to get as far away from this as possible and then I linked up with Vannevar and learned about what they are doing, kind of following up the mission, following up the team. I went there as a very early employee and build a couple of different programs that have scaled quite nicely since then. So kind of from early adult life through now, I spent the entire time in defense technology.

I got really lucky on career, both in the military and getting out. Then I was able to see in practice the way these things work, but also go and figure out how the actual acquisition piece works, understand how big programs are built and then actually got to go build some and got work on two of the fastest programs of record that have ever happened in the U.S. DoD since the end of Korea in some cases.

Tegus Client

Okay. Just to begin, could you walk me through a little bit of the buyer's journey when it comes to potential customers of Vannevar Labs? How does Vannevar generally approach new customers? Who are they looking for? What exactly is the overall buying process?

Former Head of Business Development at Vannevar Labs

The buying process across the DoD is kind of similar and you need a few different things in order to make a buying process happen. One of those things is you need actual user requirements so people on the ground

have a problem and this is where I think a lot of people get messed up. For example, I might have a problem, my shoelaces break all the time, and I'm a marine and I need shoelaces. Many program officers don't care, they're like, “Well, we issue your shoelaces, go use that shoelaces. You don't like the shoelaces, you can buy your own, go figure it out.”

For someone who's buying OSINT software, those are a few people in the information or intelligence space, and there's a bit of a weird split there for some unknown reasons. You're trying to figure out a bunch of information from the open Internet and you want to make sure that people don't see and track you as you're doing that. So there's not like a Walmart of intel tools, you can go to. SOCOM, the Marine Corps and the Army have all kind of put together what they think are the best tools, and that's where you have access to.

If you want to start a kind of grassroots growth campaign for any kind of software to include secret, you've got to go engage with those users. Now the upside with the OSINT intel space is not that big but there are not that many of them, and they're pretty trivial to like network into.

So you reach out to users, you network to them, you can use very basic sales tactics and/or going through the military network and saying, “Hey, I'd love to talk to someone which is a OneNet intel nation group, and it's very confusing and I always get it backward. But hey, I want to go talk to someone who's in this thing and has this mission, so find the person with the mission and find the problem. In this case, I can't access these sites or these sites behind Chinese paywalls or firewalls, and I don't actually have a way to go collect this information off of different chat tools or whatever it is, what the conversations being held. You go find them and you got to show them the thing that you do is better than the tools they have.”

That's step one, which is in the normal sales world, kind of the only way in which someone finds you and delivers a problem to your problem. Defense acquisition is the second problem, which is you need a contract vehicle in a legal way for people to buy things and thanks to Goldwater-Nichols, the people who use the stuff don't have a way to buy the stuff and never saw the need. So, second part of this is you have to have a contract vehicle to go through this again and you got to find someone who has money because the person who has money rarely has the contract vehicle, especially when it comes to things like other transactional authorities or innovative ways to put things on contract quickly.

The next step there is that unit might have some operations and maintenance money that they can use towards buying software. They might actually have some money to specifically procure software, is kind of how the Army set it up, their units are funded to go purchase their own tools instead of the Army buying a bunch of tools. They may say, “Hey, here are the approved tools, you can go buy these approved tools, use your money to do so.”

In the OSINT space, in particular, because it's so new, there isn't a traditional sort of program office CEO-style place where that bulk purchasing power is happening. If you're selling off-road vehicles to SOCOM, you have PO software and inside of that, you have PM FSOV, Program Manager Family of Special Operations Vehicles, who are the people who buy vehicles for special operators. You make an ATV, that's who you go talk to. It doesn't really exist in OSINT tooling, and it kind of exists in intel tooling, and OSINT has a weird spot where it doesn't really live inside of traditional intel and it doesn't really live in traditional information operations.

You have like seven different flavors of intel and OSINT is kind of the newest one among SIGINT, MASINT, TECHINT, and there's a whole bunch that are basically acronyms for ways to categorize an entire group of collection platforms. So, IMINT is imagery intelligence, MASINT is measurement and signals intelligence, TECHINT, technical intelligence like technical user manuals, GEOINT, geospatial intelligence, which is like maps and things like that, SIGINT is signals intelligence and then HUMINT, human intelligence. Those are kind of the big buckets.

Tegus Client

Okay. So Vannevar is focusing on OSINT, is that correct?

Former Head of Business Development at Vannevar Labs

OSINT is kind of the way to get started for them. I haven't been there in a year at this point so kind of my current understanding is that, that's the way to place the focus, and that's what their first core product does,

open-source intelligence. It's a way to think about if you were a foreign intelligence asset right now, and you wanted to understand how America thinks about a certain thing. You could just listen to the news, but that's actually not a great way to understand how rank-and-file humans think about it. So you want to mine Twitter, you would want to participate in WhatsApp like open chats, you would want to be on a Reddit and that's where the conversation is happening, that's where dissent happens, and that's where opinions are formed.

Other countries are very similar. How does Russia feel about Ukraine? I don't want to read Russian state media about it, it's not going to tell me anything. What's the story being told on VK? What's the story being told on Telegram on these open broadcast channels? OSINT tools category are a way to intelligently search and mine those different mediums in a way that are just sitting there and Googling would just never work and this is because if you're Googling a bunch of websites, those websites are tracking you, they know where you logged in from, they know the MAC address to you device, what sites you previously visited and the ones you came from.

Everyone worries about someone listening to their cellphone call but the reality is you're actually giving up a lot of this information for free all the time and it's pretty trivial to if you're a website administrator or you have access to the back end of the website to know where your people are coming from. So if you're on a DoD computer, they only emanate from a whole range of IP addresses.

If I see an IP address coming out of Tampa, and it's constantly hitting this VK portal, and prior to that, the website they were on was socom.mil, it's pretty easy to tell, this is obviously digital and down pretty easy to tell where they came from, you can't just run a VPN to obscure that. It actually doesn't do very much for that and it might mask the origination of your IP, but it's not going to mask where you've been and what you've been looking at on the Internet, and how long you spent on that site and what you see.

So, you need a really clever way to go mine all of that data, and then obscure it completely from how it has been collected because you're going to tip off your adversary the information you care about and then they're going to react to it. They either going to take that information away or they going to post false information, you're not going to get high-veracity, high confidence information from those techniques, see the way to do that, and that's what OSINT tooling and a lot of other tools. That's kind of the high level of how that piece works.

Tegus Client

So for OSINT tooling, it's a fairly new category of collection platforms within the intelligence community for the DoD which means a few things that could happen. First is the usual requirement, so basically a pain point here is there's no Walmart for sort of people buying open software when they're trying to scour the Internet so DoD provides a tech stack of tools to help. So, generally, the first part is pretty traditional, you reach out via LinkedIn or use your network, in order to get access to buyers.

The second part of this process is you to contract a vehicle or a legal way to buy things. The people who are usually making purchases aren't the same individuals with these contract vehicles so you find someone with money and pair that with your vehicle. Then finally, each unit has operations to procure software so that's where the money is coming from. Is that correct?

Former Head of Business Development at Vannevar Labs

Yes. I'll finish out the refinement there because the issue is that each unit has a little bit of money, so they might have a couple of hundreds grand a year to buy some software. they don't have a big procurement budget. So let's take a marine intel, who they might have a couple of hundred grand a year, they can go buy some stuff with but that doesn't scale. They are not designed to be an acquisition authority, they can go buy stuff and test and prototype it and they can demonstrate "Yes, I've a need for this, I've got a problem, I need to go solve it."

However, if you want to buy a lot of something in the military or in the DoD or actually in the U.S. government at large, you need to have a thing called competition. There's a threshold for what you can buy, what's called a sole source contract and that threshold is different in different places, but if you're using the federal acquisition regulation, that threshold is $12.5 million. There are a couple of simplified acquisition processes for that threshold being lower, a couple of million bucks and you really can't scale a business

through selling direct to users.

So, the next thing you have to do is you have to go find a program office or a PEO, a program executive office that has an acquisition strategy and they allocate funding in the U.S. system in two-year tranches, called POM. This POM cycle is this structure under which right now there are people who are finalizing the POM for fiscal year '26, which is October of 2025 and they're saying, “In this year, I'm going to need x amount of money to do y thing.” They don't have to say who is going to or what it's going to, but they're putting the big chunks into the budget to say, “This is where I think I need to buy things.” Now that has to go through a bunch of other processes, part of which is called JCIDS.

Another part of this is the traditional NDA. Every year Congress approves and authorizes a certain amount of budget to go do a certain thing, you have to have all of these things stacked up. If you could spend five hours describing JCIDS, the POM and the NDA, and how they all work together, that's really all obfuscated from both the user, the buyer, the contract holder and the vendor to some degree.

So let's say you've convinced your marines, they need to buy some Quip licenses. You can probably sell a couple of those, they're going to be happy, and they are like, “Yes, this works really well for what I'm doing”. However, it doesn't scale, even if you went unit to unit, you're scrapping up a couple of million bucks a year, maybe 20 on a good year total. If you want to scale this in the really big acquisitions, you need to get either a long-term contract with the government or something that looks like a program of record, where it's funded for multiple years.

There is a vetted requirement, which is actually one of the most important parts about this which is real acquisition offices, so program offices, PEOs, they can't buy anything without an approved CDD. Basically what an approved CDD is, it's a requirement that has been written into policy that says, “Yes, we agree this is a big gap, the soldiers need boots, or they need Quip licenses.”

So, we are saying that this command and this program office agree this is a requirement and here is what the software shall do. So, we have a requirement for OSINT software that shall do X, Y, and Z. These are pretty lengthy documents that explain what the gap is. That's important because you can't obligate procurement money against a thing that doesn't have a requirement, you have to have it.

That’s sort of this next stage, you've users that need it. Let's say, you found a contract vehicle, or you want a contract vehicle, and it can only happen through competition. There is some level of sole sourcing that can happen and it's much harder, it's less defensible, it's going to get protested. You've got to go compete but these program offices will run then a two-year process usually, sometimes less, to go scour the earth and post an open request for information to a thing like SAM.gov or a consortium to say, “We have a requirement for X, Y, and Z type of software. We want to go buy it.”

You post an RFI, it is open to everyone so everyone can respond. They will then refine their acquisition strategy off of that RFI and they might change it quite a bit or a little or none at all. Depending on how good they are they'll come back and they'll select a series of vendors. There might be other competitive steps in here, there might be an actual physical competition where kind of bake off a couple of different vendors against each other, and then you'll issue request for proposal. It might be request for prototype proposal, RPP or it might just be an RFP, request for proposal that says, “Hey, I want to buy your thing, propose to me what it will cost to outfit all these people would do with different licenses. It's all kind of the same process.”

The vendor will then respond and say, “Okay, here's what the price is.” You then get to do the really fun part. Think back to the World War II, back before there is a whole commercial industry that made things that were dual use. Almost everything the military was buying with the exception of probably food and fuel oil in World War II was purpose built for the military. So, the FAR, the federal acquisition regulation, is designed to work in a scenario where there is a monopsony buyer and a monopoly seller.

Why is that important? Well, if you have a market for movies like, you have a lot of choices like Apple TV, Netflix, and Roku. There is a market that sets the price and determines if that price is fair, that's how our basic microeconomics work. Well, that doesn't exist when you're selling aircraft carriers. There's no one else buying aircraft carriers, there was no one else buying combat boots in 1941, it's just the military.

How do you ensure that the price is fair? Well, the federal acquisition regulation, the FAR, came up with this concept of fair and reasonable pricing. How does the military make sure they're not getting taken for a ride because they're the only ones buying and only one person selling? The rules were set up so the government

can understand what it costs you to build something.

Fast forward 70 years and you have things like software that have a dual use. In the case of something like a Quip, there really isn't a commercial use, but the government didn't fund the building of that system. They might have funded the building of other systems in which case the government have rights to it, and they basically tell the vendor like “We'll pay you so much per hour or so much per tranche of updates.”

The point I'm trying to make with the buying process is it is the most complex and annoying thing in the history of the world. It is really bad and you've to tie all these things together to be able to land a big contract. If you're trying to sell licenses of anything or selling capability of anything in the DoD, there are all these wickets you have to hit, and you’ve got to go to hit them all at once.

So, this isn’t really a buyer’s journey as much as there is like a campaign strategy to wind all these things up so that you can make in the program office. Specific to OSINT software, there isn’t a program office that does this. There is like sort of validated requirement, but there’s no one who wakes up every day in the Marine Corps and says, “I need to buy OSINT software.” There's people who buy chunks of it, there's no one who buys a lot of it, and that's the problem.

Tegus Client

Okay. For OSINT tooling, you just mentioned, it's new, and there isn't necessarily budget allocated to it but to adopt software generally, you need user requirement. You need a pain point that's boot on the ground have and then generally people approach it as initial sales. You reach out to users through LinkedIn or your network and then you also will need like a contract vehicle way to buy things. So that was something I wanted to double click on. Where does Vannevar get the contract vehicle? Is that tied to the program executive office?

Former Head of Business Development at Vannevar Labs

No. In this case, they worked with the defense innovation unit, specific infancy within the Air Force that wanted to create and build a natural language processing tool for OSINT. So how do I go collect something in a different language and then be able to see it?

Tegus Client

Okay. So, a contract vehicle is a third-party agency that has the regulatory or legal compliance to be able to put forth the tool like this. Correct?

Former Head of Business Development at Vannevar Labs

Correct, it can be a part of a program office. A program office will have their own contracting authorities; it can be through a consortium, or it can be through something like DIU or an SBIR that enables you to put that money on contract.

Tegus Client

Okay. Then you mentioned that each unit has a very small amount of budget to purchase tooling and if we were to go sometimes do a bottoms-up adoption approach, you could go to the units sort of really hard to gain good budget. So instead, you have to go through the program executive office or program office and they allocate strategy in funding in two-year tranches, called POM. Is my understanding correct?

Former Head of Business Development at Vannevar Labs

Yes, the key takeaway there is you've to do both at the same time and if you just go to a program office and say I've got this great thing, they're going to say, “Well, the users want it, it doesn't mean a requirement.” So, you've to engage both with the program office, and at the tactically level to validate that it does the

same that people need and you kind of got to do it simultaneously. You also have to connect those two together because they usually don't know each other.

Tegus Client

Got it. We're talking about Decrypt specifically right now because I know Vannevar has a long-term approach of continuously developing new tools for the government. But what is Decrypt usually replacing?

Former Head of Business Development at Vannevar Labs

It's usually replacing something that's called Berber Hunter Tool Kit at least on the SOCOM site. Inside BHTK, there are a bunch of other tools. So there are some tools made by Two Six Systems, and there are some tools made by First Alert. I forgot the parent company from First Alert, but there's actually a kind of healthy ecosystem of other OSINT tools that do similar things and have similar access, but not all the same things and that's kind of the strategy. Those tools aren't very good, in the purpose it really easy to use and it might not be as broad, might not do all the things that all those tools can do, but it does some of those things a lot better than those other tools.

Tegus Client

Okay. I know you've listed off few of them, but who are the main incumbent solutions? You mentioned they're out of deficit, what are the sort of pain points or why do people not like the incumbents?

Former Head of Business Development at Vannevar Labs

Well, that's the thing is people do the incumbents but for different reasons. So we'll take Dataminr and First Alert, actually, a really good product. I use Dataminr every day, it's like an aggregate scraping tool based on of queries that I'm interested in around the world and it serves up that data to me and said there was a shooting over here or this thing happening in Ukraine over there.

Pulling that from a pretty wide tranche of data sources, where Dataminr and First Alert kind of struggle are if you want very specific crane and you want to add and customize your own sources, it's like not really good at that. For example, there's a specific sort of chat or information source that it's only used in Northeast Syria, some blog type thing and they're probably not going to have that. You can put it and take it and say, “Hey, try to scrap this site” and it is not really designed for targeted collection of very specific information, it's really good at broad stuff.

I can´t remember the name of the next tool but the name of the company is Two Six Systems, which is a really big incumbent, and is a conglomerate approach that Carlyle Group owns, where they bought up a bunch of different tools and packaged them into one thing. That tool kit is actually hyper-customizable, it has all these different data types, but it’s really clunky to use so in order to make it work, you kind of have to have a contractor from Two Six sitting there, working with you, customizing how the data is pulled, pointing the dashboard and it got a lot of access to information.

They got probably the most market share, the companies like Dataminr, First Alert, have like a $60 million a year with OUSD alone but Two Six is really more focused on hyper-bespoke customized kind of need to be a little bit of a techy to make it work or you got to contract with Two Six to have one of their field service reps like working with your team to collect and collate that information.

Tegus Client

What's the use case, who's the customer or use case for both of these? So for the Dataminr First Alert, that has a wide contract data source, but not customizable, and then the customer or use case for Two Six, that's super customizable you need use it for.

Former Head of Business Development at Vannevar Labs

It's all the same customer, it's just kind of different mission. An intel user might want to understand who is reporting the latest air missile defense system inside Ukraine. If we don't have great placement and access or tech sources, overhead sources, and IMINT sources, they can tell us those things, I mean they still do.

However, you might actually get that from open-source technology. Someone might be on a Reddit Board or in a WeChat group and they might say like, “I saw this thing. Here's a picture of it.” So, intel officers and intel personnel, intel analysts are using it as other ways to add to the intel cycle. You want to have a mix of different sources; you want to have multiple sources that give you this information. So, it seems a really good way to get that stuff from people on the ground who are inadvertently just collecting a bunch of data.

Two Six is, again, the same user, they might be doing it in a different way, they might want a hyper-bespoke collection around this very specific operation the military is doing, and we want to see the reflection in news and media from this very specific location. They can build out an entire sort of collection plan around that and put that together so that you can quickly and easily figure out you drove the straight transit in your Navy boat.

What did the people on Mainland China think about it? You're not going to get that from the news, you're going to get that from open chats and forums, blog and things like that. It's pretty targeted in how you collect that or you're just going to get a ton of noise. Where Decrypt is objectively better is that it allows the user to do a lot of that configuration and work directly with their mission support teams to go find what those sources are.

Vannevar still makes a really good job of hiring former intel people on their mission support team and understand what they're trying to accomplish and can work with the engineers to locate those sources and then safely collect that data. The Decrypt's a really well-built user interface and user experience to help make that go a lot faster and it's built on a modern web framework that makes it really quick and easy to use, whereas some of these other tools are really slow and not super functional.

That's kind of the bull case for what they're doing, they took a thing, there's already an existing market, there are not existing big program structures and big acquisitions around it but they found a thing if it is a true pain point and they made a better tool than what other people have in the space. So naturally, users become big advocates of that, and they can leverage that to go generate the rest of that sales cycle that we talked about that's like the actual hardware.

Tegus Client

Got it. So for the use case for the less customizable sources like Dataminr and First Alert is kind of generally an intel user may want to understand as an example, who's reporting the latest air missile defense in Ukraine so they kind of scan the sources and see what's going on there. Where the customizable solutions are helpful is, you may want to question around a very specific operation the military is doing, and you want to see reflection from various local news and sources. Is my understanding correct?

Former Head of Business Development at Vannevar Labs

Yes and it's all kind of local news, local chat, and things like that. The difference is that Two Six Systems platforms can do outgoing, so they can send stuff back into the space to help drive the narrative in a certain way as a part of an information campaign if not really what Decrypt was set up for. You also need some pretty specific authorities to do that, so we just don't let some random decide that they want to influence the messaging campaign in Mainland China, as it is really a bad foreign policy move. So you've got to work through this kind of complex military information process to be able to send things in an outgoing away. We just don't have random companies do that, it's not a good idea.

Tegus Client

For sure. Then what's in the Berber Hunter Tool Kit?

Former Head of Business Development at Vannevar Labs

There are like seven different apps that are in there now, but the main ones are the one from Two Six Systems and Dataminr. There are like a couple of other random that I can't figure what they were, but they weren't very big.

Tegus Client

So Dataminr and Two Six Systems are kind of used together right now and Decrypt kind of gives you the customizability of Two Six without outgoing, but also the ease of use of the Dataminr. Is that kind of at a high level what's going on here?

Former Head of Business Development at Vannevar Labs

Yes. The best of all worlds can't really do all the things those tools can do, but it can do the thing that it does really well and really efficiently.

Tegus Client

Got it. And so to that point, what's Vannevar currently missing? Or where is that added deficit relative to these other tools?

Former Head of Business Development at Vannevar Labs

So the bull case here is that it really gives you the software, users love it. It does a very specific thing. The bear case here is that unless there is a large acquisition strategy around this type of capability, you're going to run out of random units that can just buy it and the use case is super narrow.

If you think about the defense budget, there's $780 billion a year, they go in the defense budget. Of that $780 million a year, $250 billion a year is like true acquisitions. The rest of it is health care, personnel, military bases, things like that. Of that $250 billion maybe $4 billion to $5 billion are actually pretty fluid, and that's across every type of acquisition. So if you have a new gun thing you want to sell to SOCOM, that would be in that category. If you look at how much funding is actually put into OSINT tooling, it's actually really small.

Now they have the potential to go capture a lot of it, but it's not the biggest and hardest problem the DoD is trying to solve right now. Also, there's not a concentrated effort by the services to stand up the responsible sort of offices that you need to run a thorough and comprehensive acquisition strategy. So, the bear case is you built a really cool thing, it works really well, the users love it, there are not that many users, so, you kind of run out of actual addressable market pretty quickly.

You can tell this from looking at Two Six and Dataminr and you can go on to GovTribe or Bloomberg has one, BGOV, Bloomberg GOV and just look at the contract sizes that these companies are on. They're not that big compared to some of the other giants in the space because it's not that big of a space. It's a good foothold, a good place to start from but now you're going to have to iterate and build different types of software tooling for different missions maybe just not in OSINT, maybe in other places. A problem on the intel side is that once you get into a really sort of fancy bespoke collection things, you start to run into an authority problem.

Like if you're a commercial business developing these things on your own, IRAD, if you and I got together and we got somebody to give us $10 million and we're going to go build a thing that collects cell phone information in Taiwan, it's actually illegal to do that. You need the government to give you the authority to do it and you actually want the government to own that because you want them to take the liability. You don't want to be on the hook for building a thing and then find out that you violated some FISA rule. So you have to go kind of the other way, which is the data aggregation side, let the government go collect all this information, TECHINT, MASINT, whatever it is.

Now you're running into Palantir's business, and they are the juggernaut in the space. You also run into DCSG-A, which is the government version of Palantir stuff but that's a story for another day. So, you've led yourself into the space in OSINT tooling, and now you've got to find the next thing, and there are not great adjacencies if you want to keep the commercial model where there's actually a margin.

The other problem is the government when they do big acquisition strategy, they come back to a whole fair and reasonable thing we've sort of gloss through. They're going to want to know why this the price we're paying, and you can get away with under-threshold purchases where they don't have to do that. Eventually a real PEO or a PM when they run this process, they're going to want to understand why a license cost x hundred thousands of dollars. Whether it's $5 or $500,000 a license, they want to understand how you got to that price.

If you're not selling that thing commercially, you don't have a way to say why someone could set x amount or you can't demonstrate there's a market that has balanced out the price and you can just make up a number. You run into a spot where some of them going to say, “Well, what is the cost to build this?” If you can't show them a reasonable cost, they are going to beat you down super hard on price because they are going to want to make sure that you're not taking the government for a ride.

To my knowledge, I don't think Vannevar has gone through that process yet. That was one of the things that kind of always scared me about how the pricing was set up was. Eventually that day is going to come and you can't really sell this tooling to Amazon or a private equity firm or VC who's doing market research in the same way that intel officer is doing it because the techniques that are being used to gather some of this info would probably not be acceptable in the commercial space.

I think the best way to describe this is that is like if you, right now, you want to go get into Weibo or WeChat, and you want to be on the Chinese Mainland version of software, there isn't a way for you to do that as a U.S. citizen coming from the U.S. so you have to devise clever techniques to go get behind those national "firewalls" to collect information.

Tegus Client

Is it not the tools are for?

Former Head of Business Development at Vannevar Labs

That's what the tools are for. Totally acceptable if you're doing it for U.S. government and they have the authority to go do that, not super acceptable if you are just a private citizen. Like there is nothing you can go do today to go get access to that information without having access to tooling like this.

Tegus Client

Yes. Got it. So that makes sense. And appreciate. So, it seems like Vannevar has a cool product that people like. However, there are TAM concerns because it's not actually that much fluid budget in acquisition and then if you even press even further, there's not much budget available for OSINT tooling generally. OSINT is a good wedge, but then they have spent to an adjacency, which means they have to probably go into the data aggregation route, which would cause them to run into Congress with Palantir with juggernaut.

Even if you were able to do all of that, if you're not selling the tool commercially, once you go through that sort of competitive buying process a fair and reasonable component will put pricing pressure, which reduces their margins so it will be really difficult. In addition to that, selling this product commercially isn't that viable because if a private regular sort of individual or citizen of the U.S. is trying to do that, it would raise regulatory flags. Is my understanding correct?

Former Head of Business Development at Vannevar Labs

Yes, and to be clear, everyone who's trying to sell in DoD runs into some version of it. If you're doing something new and innovative, you're going to run into a version of this problem and it’s like do you have the right team and the right people in place to figure out the ethical and reasonable way to get through those problems, but also the business strategy side to say, “Okay, we're really good at building this thing. What are our core competencies? What's the next problem we should tackle?”

Tegus Client

Yes. Can you talk to me about Vannevar's pricing model? So how much does it cost for people to leverage Decrypt right now?

Former Head of Business Development at Vannevar Labs

I'm pretty sure they don't publicly advertise their pricing so I can't give you an exact answer here but it's pretty expensive. If you use Salesforce, Quip or some sort of enterprise tooling where you work, like orders of magnitude, it is more expensive than that.

Tegus Client

Okay. Do you know kind of like what type of pricing it is? Is it sort of like does someone sign a multiyear contract? Are they paying on amount of times you're pulling information from their sources, usage-based, like structure of pricing?

Former Head of Business Development at Vannevar Labs

Yes. I mean there are only a couple of ways to sell software. The Palantir model, which is some nonsense data no core charge thing, which I don't understand including people work there. You sell by the seat, or you sell by the enterprise so Vannevar has a seat pricing model. They probably progressed also having some sort of enterprise thing as well but you're going to buy user by seat.

Tegus Client

Okay. Are these generally single-year contracts, multiyear contracts, or does this varies?

Former Head of Business Development at Vannevar Labs

That goes back to the acquisition piece. So when you get started, you might sell it for three months, demo license, 10,000, 20,000, something like that, it doesn't really matter. Then you're going to buy it for a year, there are different types of money, or different types of dollars, and there are basically three buckets. The buckets that you're grabbing at that tactical user, you're only getting one-year tranches and you got to go fight for it every year.

So until you're in, this is very key, anything in defense acquisition, not just Vannevar, you are selling to a tactical user and is not to a program office on a program of record that is one-year money. That is, it, that is the only answer. Sometimes you can get two years for some weird stuff, that basically is one-year money.

So if someone comes to you and says they did $10 million, $15 million, $20 million, $30 million a year, and it wasn't through a program office on a program of record, you will have to go fight for those dollars in the next year. There is no recurring revenue at that stage of the deal. It could be a recurring revenue, but it is 100% not guaranteed. Whereas if you bought Salesforce, you're locked in their three-year nonsense and you might come back and trying to renegotiate or change sort of features, you're on the hook if that price for three years, and Salesforce is going to come sue you.

That doesn't exist until you get on a program of record. You can have a program of record in terms of a PEO with a signed CDD. That does not exist for OSINT yet, it might soon in the Marine Corps, but it's more from a broader family of tools around information. So that's the thing to really rock with defense acquisitions. There's no such thing as recurring revenue until you have a program of record, and that is why they are so valuable because then you have that Salesforce style three, five, 10-year contract.

Tegus Client

So, in order to get a program of record, you need PEO with assigned CDD. Is that correct?

Former Head of Business Development at Vannevar Labs

Yes, basically. You also need funding authorized because you're going to have a PEO to sign CDD. There has been one for a lot of things over the years, like the DoD had assigned CDD for an autonomous Strykers in 2002. There's no autonomous Strykers running around because it has never been funded by Congress. I kind of went on a long tangent like that, that sales process thing, but this is why it's so hard to sell in the DoD, you have to hit all these random wickets that make no sense.

Tegus Client

Who authorizes the funding?

Former Head of Business Development at Vannevar Labs

Congress. Why does the DoD have old ship? Because you have a very old school process that gets this done. It's hard.

Tegus Client

Yes. To get funding by Congress, is that a traditional like, “Hey, you have to write this bill”?

Former Head of Business Development at Vannevar Labs

No, that goes back to I think we talked about those capable CDDs, the JROC process, JCIDs. In the POM cycle, someone somewhere that Vannevar is doing a good job of government relations and working with program offices is saying, “Hey, PM SDA at SOCOM under PO software. You should really think about a way to buy OSINT software long-term.” Then they should be like, “Yes, we should do that.” Maybe they send them some white papers, they talk to them a bunch and there's a lot of shaping that goes into this. It's like the most complex version of enterprise sales.

That PM SDA, soft digital applications, they need to go, “Yes, this is a real big need. We have this requirement, we have these users asking for it, this fits within our acquisition strategy.” Then we go down that RFI, RPP, RFP rabbit hole, select the thing, and then what usually happens is the DoD buys something five years late and no one wants it anymore. So it's not about having the best tech. AeroVironment is a good example of this, they make the worst drones I have ever used in my entire life and they sell a lot of those because they are very good at this process.

So those services then put up to Congress in the President's budget and say, “We need $2 billion to buy picks” or whatever it is and then you have authorizers and appropriators. If you remember that thing of the Schoolhouse Rock thing, where a bill goes to Congress, bill goes to Washington, all that's very true. That has to go all the way through that process where the service isn't say, “I need these things to do the job that you told me to do.” And then you have to get it authorized and you have to get it appropriated. Those are all the main people.

Tegus Client

Yes. It's like the requirements are from the PM and then you have to get the authorized and appropriated, authorized by Congress, which is like talking with the POM cycle and talking with special operations command. Then it seems like being appropriated like another step as well. Is my understanding correct?

Former Head of Business Development at Vannevar Labs

Yes. I mean that happens in their annual budget cycle, but lately I have been watching the news and Congress is not super good at doing this. Like we go into CRs all the time so that's the other risk of any DoD business, you've a user, you've got a need, you've got to sign CDD. You've got your program office telling Congress they need money, and they need to be funded and then Congress decides they're not going to pass the defense bill that year, or you get the brilliant stroke of luck we had this year, which is they finally passed the budget, but they forgot to raise the debt ceiling. So the federal government might shut down in

like six days.

Tegus Client

Yes. Do you have any sense of how strong of government relations Vannevar has? I know Vannevar's long-term vision is to continue to create new products but they're going to have to go through this process for each new product. So how strong is the government relation for Vannevar right now?

Former Head of Business Development at Vannevar Labs

We had just started thinking about it when I left. I assume that they have hired a good lobbying firm, I know they've hired a good lobbying firm. The problem is you can only get so far with direct lobbying, what you need is a big job base and they're a completely remote company. So if you're in a good district and your senator or Congressman is on the HASC with the SASC, this is like easy days, you can do this. But normally, that's not how businesses are built so you only have so much you can leverage inside of the government space to be able to get things done.

There's some tooling you can do here. They're probably doing it right, I have heard good things but the reality is where you really anchor success here is getting the PEOs and the PMs to do that groundwork for you, it's what they're supposed to do anyway. So, government relationships does not solve it all, solves a lot of it but until you have a big job base to anchor on, like say, you're in a good district in California, you're in a good district in Montana, you've key members in key positions, you're depending on Congress to do the right things for the right reasons, and that's just not how our Congress works.

GR is super expensive. You can do a pretty good entry-level job just by having a good lobbyist, who is going to go talk to the right people, explain the value, get them on board. But when you start getting to the big program world and there are tens of millions or hundreds of millions of dollars on the line, it takes a lot more strategy than just hiring a good lobbyist. That's where a lot of companies struggle, so they're probably doing fine in that space but they don't get far from here.

Tegus Client

Yes. Instead of hiring the lobbyist, it's getting the program officers and program executives. Is that correct?

Former Head of Business Development at Vannevar Labs

Yes, program executive offices and PMs, program managers, PEOs are on top of PM. So a CEO will have like four or five PMs.

Tegus Client

Okay. So, with OSINT as a wedge, do you know how they prioritize where they go next or are we very far away from them getting to building out that next product?

Former Head of Business Development at Vannevar Labs

I'll be honest, when I worked there, this is something we struggled with like categorically what's the difference between a new product and a new feature? I think the hard part is that if you're in OSINT space, there's no direct adjacencies that you can go attack that don't have a lot of risk to them. Again you're a vehicle manufacturer and there's a variant in the vehicle that serves a whole new use case and there's a new product or you like an Anduril and it's like I build a tower to find humans, I'm going to build a tower to find drones, two very different products to 90% the same thing.

That doesn't really exist in that space so their CTO is extremely talented and comes from a deep information in intel space. I am pretty confident he is going to figure out the next product. But at the moment that isn't in the same space, and that's going to be really hard because you're basically starting a whole new division

inside of a company for better or for worse to go attack any problem set because there's just not a whole lot on the left and right of the OSINT space, and that's a pretty big risk.

Tegus Client

Okay. And then last one is, why did you leave?

Former Head of Business Development at Vannevar Labs

I didn't really see eye to eye on how to do this with the two co-founders. I've done a lot of this, and I've been very successful at building programs that we talked about and it wasn't the same way that they wanted to do it so I was like, “You know what, you got this company, you do your thing,” and they were like, “Yes, we want to do it our way” so we're parted ways amicably.

Tegus Client

What are they doing that you don't agree with?

Former Head of Business Development at Vannevar Labs

It's the program office engagement piece. The issue was that doing these things in parallel, they're both in a same amount of work. You've to run parallel tracks of generating user traction at the tactical level, but you also have to do the program office engagement. The program office engagement takes a really long time because you've to go build really true trusting and deep relationships with them so that they actually take you seriously when you tell them the thing is going to work or it's going to do the thing it needed to do and there are not going to be a lot of rewards from that engagement.

I'll give you example. My current role, I have an entire team that has been focused on a single program office for like eight months, and we are just now getting to our first little pilot. That's like a record time to get something loaded, but it takes eight months just to get started. It takes 18 months from I have a new innovative product to the fastest amount of time you can get a thing that looks like the beginning of a program of record. It just takes a long time. It's hard. You've got to do all that shaping and all things we talked about, you got to do in parallel.

Meanwhile, you're going to have people on the ground, who're getting a couple of hundred grand here or there, $1 million here or there. And someone's really fast, but you're slack and you're getting $100,000 a year from, pick a company, Apple to do the chat tool, it's going to spiral and it's going to hockey stick really fast. That's something that really works in DoD. So, my biggest fear with their strategy is that they did a really good job executing the tactical level, but they put that program off of stuff on back burner. I disagree with that strategy because it just does not scale in defense. It's a great strategy really anywhere else but you've got to do this other part of it.

We disagreed about where we should put the company's resources and make the big bets. They wanted to go do it their way, and they did a really good job executing at the tactical level, and now they're going to have to prove after this last raise how they can match those things together and they might be right but I did it the other way. I signed like $1.5 billion in contracts so I know my way works. They might be right, it's tough to do with limited small resources at a small company, and they wanted to do it their way. So that's how it works so you found a company, you get to do your way.

Tegus Client

Yes. It's really this sort of buying process piece and they are differing in terms of they're not focusing on the shaping program office piece, which you need their support in addition to a lobbyist to really get requirements push through to get approved by Congress since they now we're going to see if they can do it or not. Correct?

Former Head of Business Development at Vannevar Labs

Yes. They've got a nice round to go run with and they can probably go hire some really good talent to go focus on those things. Do it in their site and their sequence might have been right. Go get a bunch of money on contracts to move really quickly. The problem is all of that stuff that they have on contract is on one-year money so, they're going to go hunt to keep that stuff alive and tactical units are not designed to keep buying stuff. It's just not how they are set up so you're eventually going to run into a problem.

Now whether you start the program office side first, or you do it in parallel or you come to a third, that's like open to debate, people do it different ways. I don't think it's worth taking the risk of doing those things in sequence. I think you have to do them in parallel and that's just a risk that you have to take as a part of your strategy.

Tegus Client

Okay. Well, thank you again for taking the time to speak with us today. This was very helpful.
