

WHO IS IN-Q-TEL?

Sat, 25 Oct 2014 17:00:00, newstips66, [category: brotopia, category: energy-dept-slush-fund, category: google-alphabet, category: housing, category: stanford_univ_bribes, category: worldnews]

In-Q-Tel

In-Q-Tel

Logo-inqtel.gif



Type [Privately held not-for-profit corporation](#)
Genre [Technology research](#), [Venture capital](#)
Founded September 29, 1999 (1999-09-29)
Founders [Norm Augustine](#)^[1]
Headquarters [Arlington, Virginia](#)^[2]
Key people [Christopher Darby, CEO](#)^[3]
Services Investment in information technology supporting U.S. intelligence capability
Website <http://www.iqt.org/>

In-Q-Tel of [Arlington, Virginia, United States](#) is a not-for-profit [venture capital](#) firm that invests in high-tech companies for the sole purpose of keeping the [Central Intelligence Agency](#), and other intelligence agencies, equipped with the latest in information technology in support of [United States intelligence](#) capability.^[4]

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History

Originally named **Peleus** and known as **In-Q-It**, In-Q-Tel was launched in 1999 under the direction of [Gilman Louie](#).^[4] In-Q-Tel's mission is to identify and invest in companies developing cutting-edge technologies that serve United States [national security](#) interests. Originally associated with ^[clarification needed] the [Central Intelligence Agency Directorate of Science & Technology](#), In-Q-Tel now engages with [entrepreneurs](#), growth companies, researchers, and venture capitalists to deliver technologies that provide superior capabilities for the [CIA](#), [DIA](#), [NGA](#), and the wider [intelligence community](#).^[5] In-Q-Tel concentrates on three broad commercial technology areas: [software](#), [infrastructure](#) and [materials sciences](#).

Former CIA director [George Tenet](#) says,

We [the CIA] decided to use our limited dollars to leverage technology developed elsewhere. In 1999^[contradiction] we chartered ... In-Q-Tel. ... While we pay the bills, In-Q-Tel is independent of CIA. CIA identifies pressing problems, and In-Q-Tel provides the technology to address them. The In-Q-Tel alliance has put the Agency back at the leading edge of technology ... This ... collaboration ... enabled CIA to take advantage of the technology that Las Vegas uses to identify corrupt card players and apply it to link analysis for terrorists [cf. the parallel [data-mining](#) effort by the [SOCOM-DIA](#) operation [Able Danger](#)], and to adapt the technology that online booksellers use and convert it to scour millions of pages of documents looking for unexpected results.^[6]

In-Q-Tel sold 5,636 shares of Google, worth over \$2.2 million, on November 15, 2005.^[7] The stocks were a result of Google's acquisition of Keyhole, the CIA funded satellite mapping software now known as Google Earth.

As of August 2006,^[dated info] In-Q-Tel had reviewed more than 5,800 business plans, invested some \$150 million in more than 90 companies, and delivered more than 130 technology solutions to the intelligence community.^{[4][8]} In 2005 it was said to be funded with about \$37 million a year from the CIA.^{[9][dated info]}

Former board members include [Norman Augustine](#), [William Perry](#), [Anita K. Jones](#) and [Gilman Louie](#).^[citation needed]

Governance



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In-Q-Tel is a Virginia-registered corporation, legally independent of the CIA or any other government agency. The corporation is bound by its Charter agreement and annual contract with the [CIA](#), which set out the relationship between the two organizations. In-Q-Tel's mission to support the Intelligence Community's technical needs is promoted by the In-Q-Tel Interface Center (QIC), an office within the CIA that facilitates communication and relationships between In-Q-Tel and government intelligence organizations. While In-Q-Tel is a nonprofit corporation, it differs from [ARPA](#) and other models in that its employees can profit from its investments. According to public records, In-Q-Tel's current^[when?] principals include:

- [Christopher A. R. Darby](#), President/CEO
- Bruce Adams, Secretary
- [Michael M. Crow](#), Chairman
- [Paul G. Kaminski](#), Director
- [Jeong H. Kim](#), Director

Investments

Many companies listed on In-Q-Tel's investment website page^[10] are secret. In-Q-Tel functions partially in public; however, what products it has and how they are used is strictly secret.^[9] According to the [Washington Post](#), "virtually any U.S. entrepreneur, inventor or research scientist working on ways to analyze data has probably received a phone call from In-Q-Tel or at least been Googled by its staff of technology-watchers."^[9]

Software



This list of companies **needs additional citations for verification**. Please help [improve this article](#) by [adding citations to reliable sources](#). Unsourced material may be challenged and removed. *(September 2014)*

- [Facebook](#) - social networking ^[11]
- [Huddle](#) - cloud-based content collaboration software
- [Oculus Labs](#) - visual cyber security solutions

- [Destineer](#) - games FPS training simulation
- [GeoIQ](#) FortiusOne - visualization on maps
- [Forterra](#) - virtual worlds for training
- [Quantum4D](#) - visualization technology
- [Visual Sciences](#) - real-time visual analysis
- [Spotfire](#) - visualisation data analytics
- [Palantir Technologies](#) - data integration, search and discovery, knowledge management, and secure collaboration
- [PiXlogic](#) - visual search
- [Agent Logic](#) - event detection and response software -Webspector webpage change software
- [ArcSight](#) - secure software
- [Zaplet](#) - email
- [Authentica](#) -secure messaging and secure document sharing
- [Teradici](#) Corporation - desktop virtualization
- [Connectify](#) -Wifi & VPN
- SafeWeb PrivacyMatrix - browsing (closed in Nov. 2001)
- [Visible Technologies](#) - social media monitoring
- [Silver Tail](#) Systems - website fraud prevention
- [InnoCentive](#) - crowdsourcing websites
- [Fetch Technologies](#) -Internet Data Management -bots & RSS
- [SRA](#) OrionMagic - cms software
- [Recorded Future](#) - web intelligence and predictive analytics
- [Traction Software](#) - web 2.0^[vague]
- [Basis Technology](#) - translation software
- [Language Weaver](#) - automatic language translation
- [Lingotek](#) - translation
- Cassatt - desktop software
- [Tacit Knowledge Systems](#) - internal software^[vague]
- FMS -analysis, visualization, and knowledgebase to the Federal Intelligence Community
- [Initiate Systems](#) -real-time multiple database software
- [TerraGo](#) - location intelligence applications and software [GeoPDF](#)
- [Geosemble](#) - unstructured data analytics and geospatial software
- [NovoDynamics](#) - Arabic character recognition
- [Adapx](#) - Microsoft Office & GIS
- [Digital Reasoning](#) - Synthesys v3.0 -review facts and associations at a glance
- [CallMiner](#) - phone speech analytics software
- [Carnegie Speech](#) -speech recognition
- [AzTE](#) PRISM - handwriting recognition
- [A4Vision](#) - 3D facial imaging
- [oculis labs](#) - computer vision, facial recognition and detection with webcam
- SRD - identity resolution software
- [Inktomi](#) Corp - network infrastructure software
- [Mohomine](#) mohoClassifier - organises mass data
- Stratify - organizes mass data
- [Endeca](#) - search data repositories
- [Inxight](#) - search engine
- [Convera](#) RetrievalWare - search engine
- [MetaCarta](#) - search engine
- [Attensity](#) - search engine
- [NetBase](#) - search engine
- [Platfora](#) - big data analytics and visualization

- [Intelliseek](#) - search engine
- [FireEye](#) - malware protection
- [ReversingLabs](#) - malware detection and analysis
- [zSpace \(company\)](#) - 3-Dimensional [holographic imaging](#) displays

- [Socrata](#) - Open Data Solutions for Government Innovation

Material science



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Biotech

- [Biomatrix](#) - biolab tech anhydrobiosis storage
- [SpectraFluidics](#) - detection of trace airborne chemicals
- [Arcxis](#) Biotechnologies - sample processing and pathogen detection
- [febit group](#) - DNA
- [Boreal Genomics](#) - DNA fingerprints
- [T2 Biosystems](#) - medical diagnostic devices, miniaturized magnetic resonance (MR)
- [OpGen](#) -microbial genome analysis
- [Infobionics](#) - biotech cellular database
- [Microchip Biotechnologies](#) -analysis instrumentation for biodefense
- [Cambrios](#) Technologies - biomaterials for solid-state electronic devices
- [Seahawk Biosystems](#) - diagnosis biosensor products
- [Sionex](#) -chemical and biological sensors
- [Polychromix](#) -material analysis and chemical sensing
- [IatroQuest](#) - detect biological and chemical agents
- [IntegenX](#) - NanoBioProcessor & molecular diagnostics
- [Seventh Sense Biosystems](#) - health monitoring and medical diagnostics
- [Sonitus Medical](#) - transmits sound via the teeth
- [MedShape](#) - orthopedic devices from shape memory materials

Electricity

- [Electro Energy](#) - nickel-metal hydride batteries for satellites & aircraft
- [Qynergy](#) Corporation - Long-lived batteries, Micro-Electro-Mechanical Systems
- [Infinite Power Solutions](#) -micro-batteries
- [Skybuilt Power](#) - solar, wind, fuel cells, batteries, fossil fuels, telecommunications -Mobile Power Station(MPS) 3.5 kW to 150 kW
- [Semprius](#) - solar energy
- [AdaptivEnergy](#) - miniature piezo generators
- [Power Assure](#) - managing power consumption
- [MiserWare](#) - reduces energy

Electronics

- [Nanosys](#) - nanotech components
- [Alfalight](#) - high-power lasers & torches
- [IDELIX](#) Software - pliable display technology
- [Perceptive Pixel](#) - multi-touch displays
- [WiSpry](#) - radio components
- [Nextreme Thermal Solutions](#) - circuit-board thermoelectric components
- [Digital Solid State Propulsion](#) - electronic controls for solid rocket motors
- [Infinite Z](#) - virtual-holographic monitors

Video

- [3VR Security](#) - DVR archiving
- [MotionDSP](#) - digital video
- [Pixim](#) - video cameras
- [COPAN](#) - data storage
- [iMove](#) - immersive video
- [Pelican Imaging](#) - better camera phones
- [LensVector](#) -optical autofocus
- [InView Technology Corporation](#) - cameras and hyper-spectral imagers
- [Rhevision](#) - tunable camera lens
- [Signal Innovations Group](#) - signal, image, and video analytics
- [Elemental Technologies](#) -video processing
- [KZO Innovations](#) - streaming video software
- [VSee](#) - video conferencing

Infrastructure



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Hardware

- [Genia Photonics](#) - fiber-optics products
- [Advanced Photonix, Inc.](#) -fiber optics
- [SitScape](#) -Command & Control room hardware
- [SpotterRF](#) - micro surveillance radar
- [QD Vision](#) -monitors, displays and lighting
- [GATR Technologies](#) -inflatable satellite dishes
- [CoreStreet](#) - door access control systems
- [Etherstack](#) - radios
- [Paratek microwave](#) - smart scanning antennas
- [D-Wave Systems](#) - quantum computers

Sensor networks

- [ThingMagic](#) - RFID
- [Dust Networks](#) - low-power wireless mesh networking systems
- [Ember Corporation](#) - ZigBee- wireless semiconductor
- [Gainspan](#) - low power Wi-Fi
- [Tendril Networks](#) - software for wireless sensor and control networks
- [TenXsys](#) -telemetry systems for remote monitoring, NASA
- [StreamBase](#) -real-time data in government/military, RFID/sensor networks
- [Thetus](#) - software for remote sensing instruments
- [Soflinx](#) defender -a Wireless Sensor Network for fences
- [PlateScan](#) -automatic license plate recognition (ALPR) sensor network

Data centers

- [Bay Microsystems](#) - packet processing and data traffic
- [Cleversafe](#) - data storage clouds and massive digital archives
- [Cloudera](#) - data storage and analysis
- [Asankya](#) - Hypermesh data streams
- [CopperEye](#) - data retention
- [Systems Research and Development](#) - real-time data warehousing
- [Network Appliance](#) - Decru (networked data storage)

Security testing

- [RedSeal Systems](#) - security testing
- [Network Chemistry](#) - RFprotect, WiFi security
- [Veracode](#) - application security testing

Other related personnel



This section **does not cite any references or sources**. Please help improve this section by [adding citations to reliable sources](#). Unsourced material may be challenged and [removed](#). *(December 2012)*

Numerous noteworthy business and intelligence community professionals have been involved with In-Q-Tel at various times, including the following:^{[*[citation needed](#)*]}

- [Dan Geer](#) (2008 - current) Chief Information Security Officer ^{[*[1](#)*]}
- [Michael D. Griffin](#) – former President; later [Administrator of NASA](#).
- [Norman R. Augustine](#)
- [Gilman Louie](#)
- [Amit Yoran](#)
- [John Seely Brown](#)
- [Stephen Friedman](#)
- [Paul McMahon](#)
- [William Perry](#)
- [Alex J. Mandl](#)

- [Craig Goss](#)
- [Rob Painter](#) – former Director for Technology Assessment; left to become Senior Federal Sales Manager at [Google](#).
- [Christopher K. Tucker](#), first chief strategic officer

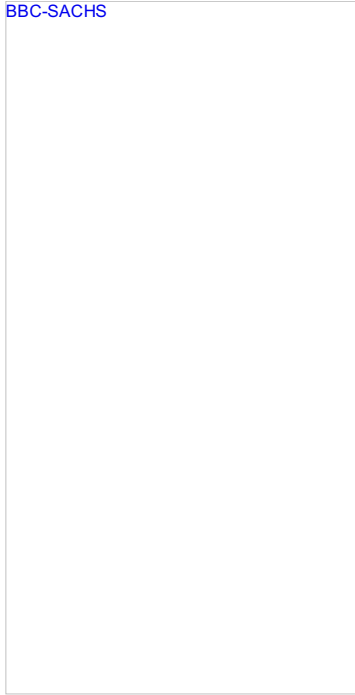
References

1. [Jump up](#) ^ [A new partnership between the CIA and the private sector](#)
2. [Jump up](#) ^ [Contact Us](#)
3. [Jump up](#) ^ [List of the Board of Trustees](#)
4. ^ [Jump up to: ^{a b c}"In-Q-Tel, Inc. Company Information". Hoover's](#). Retrieved March 26, 2013.
5. [Jump up](#) ^ ["Technology Focus"](#). In-Q-Tel. Retrieved 14 August 2014. "IQT is focused on new and emerging commercial technologies that have the potential to give the CIA and broader U.S. Intelligence Community (IC) mission-advantage today and in the future. As a strategic partner, we work with the IC..."
6. [Jump up](#) ^ George Tenet (1997), *At The Center Of The Storm: My Years at the CIA*, Harper Press, p. 26
7. [Jump up](#) ^ ["CIA sells Google shares"](#). November 15, 2005.
8. [Jump up](#) ^ [In-Q-Tel website: Investing in our National Security](#). Obtained August 2006.
9. ^ [Jump up to: ^{a b c}n-Q-Tel, CIA's Venture Arm, Invests in Secrets](#)
10. [Jump up](#) ^ In-Q-Tel website. [In-Q-Tel — Investments](#).
11. [Jump up](#) ^ Greenop, Matt (2007-08-07). ["Facebook - the CIA conspiracy"](#). *The New Zealand Herald*. APN New Zealand Limited. Retrieved 2014-10-21.
12. [Jump up](#) ^ [Dan Geer leaves Verdasys for In-Q-Tel](#), by Ryan Naraine, *ZDNet*, May 28, 2008. Accessed 2008-07-09.

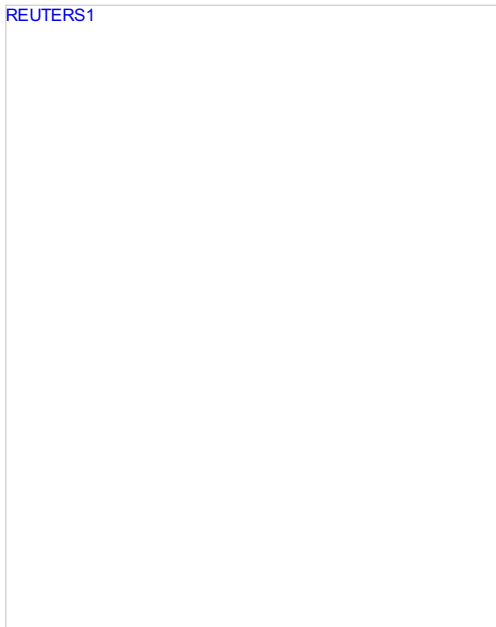
External links

- [Official website](#)
 - [Fact sheet](#) from the company's website
- [White Paper on the In-Q-Tel concept](#) from the CIA's website
- [In-Q-Tel](#) from *Federal Computer Week*
- [In-Q-Tel](#) from govexec.com
- [The Report of the Independent Panel on the CIA In-Q-Tel Venture](#) from Business Executives for National Security (bens.org)
- [Press releases](#) from cryptome.org

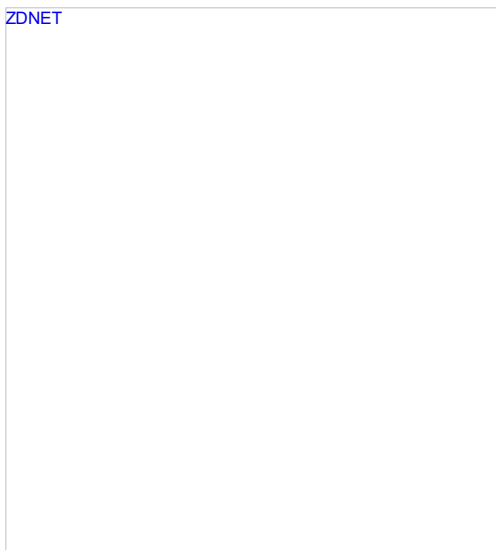
BBC-SACHS



REUTERS1



ZDNET



In-Q-Tel

From SourceWatch

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In-Q-Tel is a [Private Government Corporation](#), designated as a private, "non-profit enterprise funded by the [Central Intelligence Agency](#) (CIA). Their mission is to identify and invest in cutting edge information technology (IT) solutions that serve U.S. national interests. Working from an evolving strategic blueprint that defines the agency's most pressing needs, In-Q-Tel connects with entrepreneurs, established companies, universities, researchers, and venture capitalists to develop technologies that pay out in superior intelligence capabilities. In-Q-Tel provides a source of capital, technical and operational expertise, a beta/prototyping site with 'power users', a fast track to commercialization, and a potential source of revenue."^[1]

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Management

- [Christopher Darby](#) - President and CEO
- [Steve Bowsheer](#) - Managing Partner and Executive Vice President
- [Patrick Ciganer](#) - Executive Vice President, IC Support
- [Troy M. Pearsall](#) - Executive Vice President, Architecture and Engineering
- [Lisbeth Poulos](#) - Executive Vice President, Technology Transfer
- [Matthew Strottman](#) - Executive Vice President and CFO ^[2]

Board of Trustees

- [Michael M. Crow](#)

Chairman of the Board of In-Q-Tel; President of Arizona State University; former Executive Vice Provost of Columbia University.

- [James Barksdale](#)

President and CEO of Barksdale Management Corporation; Board of Directors, Time Warner Inc.; former President & CEO of Netscape Communications Corporation; former Director of America Online, Inc.; original CIO of FedEx.

- [Peter Barris](#)

Managing General Partner, New Enterprise Associates (NEA); former President and Chief Operating Officer of Legent Corporation (LGNT); former Senior Vice President of the Systems Software Division of UCCEL Corporation (UCE).

- [Charles G. Boyd](#)

President and CEO of Business Executives for National Security (BENS); Retired U.S. Air Force General; former Deputy Commander of U.S. forces in Europe; former Executive Director of the Hart-Rudman National Security Commission.

- [Howard Cox](#)

Partner, Greylock Venture Capital; former Chairman of the National Venture Capital Association (NVCA); served in the Office of the Secretary of Defense.

- [David E. Jeremiah](#)

Partner and President of Technology Strategies & Alliances Corporation; former Vice Chairman, Joint Chiefs of Staff; former Commander in Chief of the United States Pacific Fleet.

- [Anita K. Jones](#)

University Professor and Professor of Computer Science at the University of Virginia; former Director of Defense Research and Engineering for the U.S. Department of Defense.

- [A.B. Krongard](#)

Former Executive Director of the Central Intelligence Agency; former chairman and CEO of Alex. Brown.

- [Elisabeth Paté-Cornell](#)

Chair of the Department of Management Science and Engineering at Stanford University; member of the President's Foreign Intelligence Advisory Board, of the National Academy of Engineering and of its Council, and of the California Council on Science and Technology.

- [Charles M. Vest](#)

President Emeritus of Massachusetts Institute of Technology; former Chairman of the President's Advisory Committee on the Redesign of the Space Station. ^[3]

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Resources

Related Sourcewatch articles

- [extraordinary rendition](#)
- [In-Q-tel, Inc.](#)
- [Jami Miscik](#)

References

1. [Jump up ↑ Program](#), SecuritySummits.com.
2. [Jump up ↑ Management](#), accessed September 2, 2009.
3. [Jump up ↑ Board of Trustees](#), accessed September 2, 2009.

External articles

- Rick E. Yannuzzi, "[In-Q-Tel: A New Partnership Between the CIA and the Private Sector](#)," *Defense Intelligence Journal*, no date. Creation of In-Q-Tel was brainchild of Dr. [Ruth A. David](#), Ph.D.: "The origins of the concept that has become In-Q-Tel are traceable to Dr. Ruth David, a former CIA Deputy Director for Science and Technology."
- Jonathan Yankin, "[The Spy Who Funded Me' / The CIA's great cash giveaway](#)," *MetroActive*, March 29-April 4, 2001, issue of Metro, Silicon Valley's Weekly Newspaper.
- "[The Report of the Independent Panel on the CIA In-Q-Tel Venture](#)" by Business Executives for National Security, June 2001.
- Christopher Byron, "[Penny Stock Spies](#)," *New York Post*, April 25, 2005.
- Joseph Cannon, "[Remember that Skyway coke jet?](#)" *Cannonfire Blogspot*, April 25, 2007.

THE HEAD OF THE NSA'S TOP GROUP WAS JUST LET GO BECAUSE CONGRESS CAUGHT HER RUNNING OUTSIDE BUSINESS ACTIVITIES AT THE EXPENSES OF THE FEDERAL RESOURCES. IN ANOTHER CASE YOU HAVE THIS:

"... way to the United States -- and how much of the drug trade goes to fund the world of covert operations.

SkyWay's genesis can be traced to In-Q-Tel Inc., a secretive, Arlington, Va., investment group owned, operated, and financed out of the black box budget of the Central Intelligence Agency.

· SkyWay was part of a network of companies, three of which—L-3 Communications, Net Command Tech Inc, and Triton Network Systems Inc.— were cited by Elliot Spitzer, then the Attorney General of New York State, for being used by Wall Street brokers in "pump and dump" schemes which cost unwary investors tens of millions of dollars.

· The suspicious involvement of L-3 Communications subsidiary Titan Corp of San Diego, the biggest donor to Southern California Congressmen convicted or being investigated by fired San Diego U.S. Attorney Carol Lam.

· The Israeli connection to SkyWay, including the involvement of an Israeli tele-com firm, Tadiran, accused of being involved in worldwide espionage, and which owned the headquarters of SkyWay in Clearwater, Florida.

· The involvement of Gulf Arab financiers, including an overseas bank, Banque Francaise de l'Orient, long associated with the Saudi bin Laden family.

· Evidence of Republican party involvement in the network, which included the free use of one of the smuggling aircraft by the current head of fund-raising for the national Republican party, U.S. Senator Mel Martinez, who "traveled to nighttime rallies in luxury," the St. Petersburg Times reported, "on a DC-9 owned by Skyway Global, a Clearwater security company whose owners are Martinez supporters."

Folks, we have barely scratched the surface of this one. Meet me on the flip side, and we'll take a closer look at this strange In-Q-Tel firm, as well as the Israeli connections...

(To read the rest, click "Permalink" below)

Although owned by SkyWay, the airliner was registered to Royal Sons Inc., a company controlled by an aircraft broker from Tampa, FL, named Frederic Geffon. And:

"Geffon was under court order to not let the planes leave the St Petersburg-Clearwater Airport," stated a source close to the Bankruptcy proceedings. "The Airport Tower had even been ordered not to let the plane take off."

"Geffon was in direct violation of the court order when that DC9 took off for Venezuela," the source stated last week.

Yet Frederic Geffon has suffered no legal sanction at all, either for violating the court order, or for owning a plane busted with a plane filled with a box-car's worth of cocaine, evidence that, legally speaking, Frederic Geffon walks on water.

Hopsicker earlier quoted Geffon on Kovar:

"Their company is a scam and he's a scammer. I got sold a bill of goods about his stock. Everybody out here at the (Clearwater-St. Pete International) airport invested with him, and we all lost it all."

These words carry a thieves-falling-out quality. And perhaps we can find here an explanation as to why the flight was seized. These flights were apparently routine; the airports and authorities are paid to look the other way. Either somebody didn't get his envelope, or somebody was trying to backstab a former partner.

Kovar knows a thing or two about water-walking himself. He and his family are now running another firm called "Homeland Security Tracking Enforcement." I'm sure that this is a fine company providing both an important service and a reasonable rate of return for their investors.

Oh...one other thing:

Geffon's Royal Sons Inc has one other distinction that needs to be mentioned: The firm occasionally listed its address as 224 E Airport Ave at the tiny Venice, FL airport, in a hangar belonging to terror flight school Huffman Aviation.

In case you've forgotten, Huffman is the place Mohammed Atta called home. Funny coincidence, that.

Now, I must be clear on one point: I am not personally accusing Tadiran (or Geffon, or anyone else) of wrongdoing. However, as regular readers know, these Israeli IT and telecommunications companies keep popping up in stories with "spooky" overtones. So I tend to keep an eye out for these guys. Here is some company info on Tadiran (which, incidentally, has a contract to supply radio equipment to the U.S. Army):

Tadiran Telecom is a private company, owned by Ron Bregman, Africa-Israel Communication Ltd., and Gifford Ltd. It is headquartered in Petach Tikva, Israel, with regional head offices in Port Washington, NY, USA, Moscow Russia, Beijing, China and Delhi, India.

After a brief scan, the only source I can find linking Tadiran with intelligence is Andrew and Leslie Cockburn's excellent book *Dangerous Liaison*, which reports that the company supplied the murderous Guatemalan military dictatorship with a computerized tracking system for subversives. The list included journalists, politicians, writers, students and so forth -- and anyone on the list was likely to find himself "disappeared."

In-Q-Tel, founded by former CIA Director George Tenet, is a pretty odd company in it's own right. See the New York Post story here, which describes the company as a secretive, Arlington, Va., investment group that is owned, operated and financed out of the black box budget of the U.S. Central Intelligence Agency.

The piece ends:

So tell me, people, are we OK with this? Are we OK with letting the CIA use taxpayer money to gamble on Wall Street for the personal profit of their own employees . . . and then not explain why?..."

SO HERE IS THE PROBLEM, THE SPIES HAVE TO EITHER PROTECT US FROM BAD GUYS OR MAKE PERSONAL MONEY OFF OF THE TAXPAYER. IT IS REALLY NAUGHTY IF SOME OF THEM TRY TO DO BOTH! CONGRESS APPEARS TO AGREE WITH US!

CARTEL1



PDF REPORT:

[From balloons to shrimp-filled shallows, the future is wireless__ Reuters](#)

PDF REPORT:

http://www.scoop.co.nz_stories_HL0605_S00134

PDF REPORT:

<http://www.thebaffler>

THE SPY AGENCY SHOULD CLOSE ITS VENTURE CAPITAL FIRM

May 15, 2006 -- If former National Security Agency chief Michael Hayden hangs in there as President Bush's nominee to head the CIA and makes it to a Senate confirmation hearing, one of the panel's members should ask him this:

"Sir, please tell the committee how much further you anticipate allowing the CIA to expand its presence on Wall Street via the private venture capital firm known as In-Q-Tel, Inc."

Hayden came under withering fire in Washington last week as word spread that the ex-NSA chief had presided over the White House's post-9/11 surveillance program of monitoring domestic U.S. telephone calls. The White House, politically weakened from a year of setbacks both at home and abroad, may decide to withdraw Hayden from consideration and submit an alternative nominee burdened with less civil liberties baggage.

Yet whoever winds up in the CIA's top job will inherit a developing mess involving In-Q-Tel that was largely ignored by the agency's departing director, Porter Goss. Hints that all is not well with In-Q-Tel have begun seeping into view as this little-known domestic CIA front operation continues to funnel agency money into penny stock and micro-cap companies in Wall Street's murkiest back alleys.

Two In-Q-Tel CEOs have resigned from the six-year-old venture capital fund in just the last four months; the fund is being run on a day-to-day basis by a man from Washington's politically greased Carlyle Group who has been with In-Q-Tel for only a few weeks. Headhunters are said to be having trouble coming up with candidates for a permanent replacement.

And there are even reports, largely unconfirmed, that the Securities and Exchange Commission is looking into several penny stock promoters with ties to In-Q-Tel.

Launched in 1999 by CIA director George Tenet as a Wall Street venture fund to finance new technologies for the spy world, In-Q-Tel quickly found friends on Capitol Hill, where policymakers seized on the fund as a way to remind constituents that the ghost of Vietnam no longer walked the land. The attacks of 9/11 gave In-Q-Tel even more stature in Congress, where the fund came to be seen as an essential element in the war effort.

Yet the public's visceral reaction to last week's NSA revelations suggests that war or no war, a backlash against government snooping may be starting. And that in turn promises to crank up the heat under In-Q-Tel, where at least some of the fund's investments raise questions of judgment regarding how taxpayer money is being spent by the organization, as well as who it is choosing for business partners.

A year ago, this column drew back the curtain on a fishy In-Q-Tel investment, financed out of the black box budget of the CIA, in a defense-sector start-up called Ionatron Inc.

Run by a longtime Wall Street regulatory violator named Robert Howard, Ionatron used a cash infusion from In-Q-Tel to promote itself around Washington as the developer of a laser-equipped, remotely controlled device the size of a golf cart that could patrol the highways of Iraq, ferreting out and detonating insurgent land mines ahead of troop movements.

We warned in this space that the technology being trumpeted by Ionatron was not only unproven, but had been obtained by Howard and some midlevel researchers at Raytheon Corp. under highly irregular circumstances designed to persuade a West Coast laser researcher into turning over his research to Howard's group.

Nonetheless, Sen. Hillary Clinton and her Democratic colleague from California, Barbara Boxer, quickly embraced the Ionatron program, which eventually devoured more than \$12 million in government funding before the Pentagon finally concluded last week that the devices are not reliable and cancelled plans to deploy them.

Ionatron's stock price has tumbled more than a third in the last three weeks, leaving the company's largest investor - prominent hedge fund SAC Capital Advisors, run by Steven A. Cohen of Connecticut - sitting with millions in paper losses.

SAC Capital has acknowledged that it is under investigation by the SEC in what appears to be a separate matter involving stock trading, and the SEC may soon start taking a look into the hedge fund's buying of Ionatron's shares.

In-Q-Tel's growing portfolio of investments includes a few successes. Yet the fund has more often poured money into companies that were barking dogs long before In-Q-Tel showed up, and have failed to improve since.

Consider a North Carolina outfit called ID Technologies Corp., which began life in 1994 as CardGuard International Inc. to promote a fingerprint identification system no one wanted to buy. In the four years that followed, the company racked up losses of \$3 million on a mere \$92,000 in revenues.

In 1998, the company changed its name to ID Technologies and added \$2.5 million more to the loss column on barely \$100,000 more in revenues.

Along the way, In-Q-Tel popped up with plans to invest \$400,000 more in ID Tech, but the firm collapsed, leaving investors with \$5.58 million in cumulative losses and a stock that now sells for a fraction of a penny per share.

Another In-Q-Tel investment, in a data software company called Convera Corp., may be headed in the same direction, bearing much greater losses. In 2004 the fund took a stake in Convera, which had yet to turn a profit while piling up more than \$1 billion in cumulative losses since its founding in the mid-1980s.

By the end of 2005, a resulting bounce in Convera stock had topped out at \$16, and the shares have since lost half their value. Last week they were trading below \$8 on investor disenchantment with the perennial money loser's latest offering: an Internet search engine for extracting information from video files.

Because its funding comes from the CIA, In-Q-Tel has been an irresistible target for conspiracy theorists who charge that the CIA is somehow linked through it to every penny stock that goes south.

Last week, one left-leaning Web site reported that SEC investigators think the CIA-backed venture fund has been steering money into penny stock "pump and dump" firms in Israel, Dubai and Malaysia.

But a day's worth of phoning around traces these claims to a tireless complainant named Tony Ryals, who has been bombarding the SEC and Internet message boards for years with claims that he has uncovered a submerged world of In-Q-Tel-linked fraud stretching for Kuala Lumpur to the Middle East.

The alleged linkages are bewildering in their complexity and typically impossible to follow, but conspiracy buffs find them irresistible, since they seem to echo some of the CIA's worst excesses from 30 to 40 years ago, and by their nature, they can never be entirely disproved.

WHETHER the SEC has looked into Ryals' charges and found them baseless isn't known, but thanks to In-Q-Tel and the lengthening shadow of the CIA on Wall Street, the most improbable of such claims once again have a whiff of credibility.

Bottom line: There are many sensible ways the CIA could have gone about developing the technologies it needs, but funneling money into Wall Street via an outfit like In-Q-Tel was never one of them. So it will be a good thing for Wall Street - and for America, too - if the CIA's next spymaster simply shuts the operation down.

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