

Return of Organization Exempt From Income Tax
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Department of the Treasury
Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2004 calendar year, or tax year beginning 04/01, 2004, and ending 03/31/2005

- B Check if applicable: Address change, Name change, Initial return, Final return, Amended return, Application pending

C Name of organization: IN-Q-TEL, INC.
Number and street (or P.O. box if mail is not delivered to street address) Room/suite: PO BOX 12407
City or town, state or country, and ZIP + 4: ARLINGTON, VA 22219

D Employer identification number: 52-2149962
E Telephone number: (703) 248-3000
F Accounting method: Cash [ ], Accrual [X]

Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

H and I are not applicable to section 527 organizations

H(a) Is this a group return for affiliates? Yes [ ], No [X]
H(b) If "Yes," enter number of affiliates: N/A
H(c) Are all affiliates included? Yes [ ], No [ ]
H(d) Is this a separate return filed by an organization covered by a group ruling? Yes [ ], No [X]

G Website: WWW.IN-Q-TEL.ORG

J Organization type (check only one) [X] 501(c) (3) (insert no) 4947(a)(1) or 527

K Check here [ ] if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS, but if the organization received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

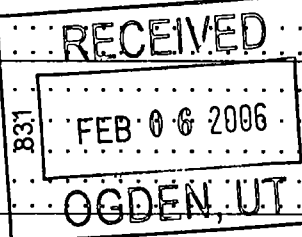
I Group Exemption Number: N/A

M Check [ ] if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF)

L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12: 49,804,140.

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See page 18 of the instructions)

Table with 21 rows and 4 columns. Rows include: 1 Contributions, gifts, grants, and similar amounts received; 2 Program service revenue including government fees and contracts; 3 Membership dues and assessments; 4 Interest on savings and temporary cash investments; 5 Dividends and interest from securities; 6 Gross rents; 7 Other investment income; 8 Gross amount from sales of assets other than inventory; 9 Special events and activities; 10 Gross sales of inventory, less returns and allowances; 11 Other revenue; 12 Total revenue; 13 Program services; 14 Management and general; 15 Fundraising; 16 Payments to affiliates; 17 Total expenses; 18 Excess or (deficit) for the year; 19 Net assets or fund balances at beginning of year; 20 Other changes in net assets or fund balances; 21 Net assets or fund balances at end of year.



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For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

Form 990 (2004)

Part II Statement of Functional Expenses

All organizations must complete column (A) Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others (See page 22 of the instructions)

Table with 5 columns: (A) Total, (B) Program services, (C) Management and general, (D) Fundraising. Rows include 22 Grants and allocations, 23 Specific assistance, 24 Benefits paid, 25 Compensation of officers, 26 Other salaries and wages, 27 Pension plan contributions, 28 Other employee benefits, 29 Payroll taxes, 30 Professional fundraising fees, 31 Accounting fees, 32 Legal fees, 33 Supplies, 34 Telephone, 35 Postage and shipping, 36 Occupancy, 37 Equipment rental and maintenance, 38 Printing and publications, 39 Travel, 40 Conferences, conventions, and meetings, 41 Interest, 42 Depreciation, depletion, etc, 43 Other expenses not covered above, 44 Total functional expenses.

Joint Costs. Check [ ] if you are following SOP 98-2

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? [ ] Yes [X] No
If "Yes," enter (i) the aggregate amount of these joint costs \$ , (ii) the amount allocated to Program services \$ , (iii) the amount allocated to Management and general \$ , and (iv) the amount allocated to Fundraising \$

Part III Statement of Program Service Accomplishments (See page 25 of the instructions.)

What is the organization's primary exempt purpose? STMT 5

All organizations must describe their exempt purpose achievements in a clear and concise manner State the number of clients served, publications issued, etc. Discuss achievements that are not measurable (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others)

Program Service Expenses (Required for 501(c)(3) and (4) orgs, and 4947(a)(1) trusts, but optional for others)

Table with 2 columns: Description of program service accomplishments and Program Service Expenses. Rows include a SEE STATEMENT 5, b, c, d, e Other program services, f Total of Program Service Expenses (should equal line 44, column (B), Program services) 28,630,384.

**Part IV Balance Sheets** (See page 25 of the instructions.)

**Note:** Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A)		(B)
		Beginning of year		End of year
<b>Assets</b>	<b>45</b> Cash - non-interest-bearing . . . . .		<b>45</b>	
	<b>46</b> Savings and temporary cash investments . . . . . STMT 1	31,522,058.	<b>46</b>	32,701,879.
	<b>47a</b> Accounts receivable . . . . . <b>47a</b>			
	<b>b</b> Less: allowance for doubtful accounts . . . . . <b>47b</b>		<b>47c</b>	
	<b>48a</b> Pledges receivable . . . . . <b>48a</b>			
	<b>b</b> Less: allowance for doubtful accounts . . . . . <b>48b</b>		<b>48c</b>	
	<b>49</b> Grants receivable . . . . .	10,046,293.	<b>49</b>	21,824,223.
	<b>50</b> Receivables from officers, directors, trustees, and key employees (attach schedule) . . . . .		<b>50</b>	
	<b>51a</b> Other notes and loans receivable (attach schedule) . . . . . <b>51a</b>			
	<b>b</b> Less: allowance for doubtful accounts . . . . . <b>51b</b>		<b>51c</b>	
	<b>52</b> Inventories for sale or use . . . . .		<b>52</b>	
	<b>53</b> Prepaid expenses and deferred charges . . . . .	469,685.	<b>53</b>	222,093.
	<b>54</b> Investments - securities (attach schedule) STMT 6. <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV	7,193,331.	<b>54</b>	15,185,269.
	<b>55a</b> Investments - land, buildings, and equipment: basis . . . . . <b>55a</b>			
	<b>b</b> Less: accumulated depreciation (attach schedule) . . . . . <b>55b</b>		<b>55c</b>	
<b>56</b> Investments - other (attach schedule) . . . . . STMT 7 . . . . .	59,458.	<b>56</b>	569,124.	
<b>57a</b> Land, buildings, and equipment: basis . . . . . <b>57a</b>	4,163,203.			
<b>b</b> Less: accumulated depreciation (attach schedule) . . . . . STMT 8 <b>57b</b>	2,460,736.	<b>57c</b>	1,702,467.	
<b>58</b> Other assets (describe ► . . . . .)		<b>58</b>		
<b>59 Total assets</b> (add lines 45 through 58) (must equal line 74) . . . . .	50,703,638.	<b>59</b>	72,205,055.	
<b>Liabilities</b>	<b>60</b> Accounts payable and accrued expenses . . . . .	9,753,092.	<b>60</b>	7,002,964.
	<b>61</b> Grants payable . . . . .		<b>61</b>	
	<b>62</b> Deferred revenue . . . . . STMT 1	31,160,432.	<b>62</b>	41,090,237.
	<b>63</b> Loans from officers, directors, trustees, and key employees (attach schedule) . . . . .		<b>63</b>	
	<b>64a</b> Tax-exempt bond liabilities (attach schedule) . . . . .		<b>64a</b>	
	<b>b</b> Mortgages and other notes payable (attach schedule) . . . . .		<b>64b</b>	
	<b>65</b> Other liabilities (describe ► . . . . .)		<b>65</b>	
<b>66 Total liabilities</b> (add lines 60 through 65) . . . . .	40,913,524.	<b>66</b>	48,093,201.	
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117, check here</b> <input checked="" type="checkbox"/> <b>and complete lines 67 through 69 and lines 73 and 74</b>			
	<b>67</b> Unrestricted . . . . .	9,790,114.	<b>67</b>	24,111,854.
	<b>68</b> Temporarily restricted . . . . .		<b>68</b>	
	<b>69</b> Permanently restricted . . . . .		<b>69</b>	
	<b>Organizations that do not follow SFAS 117, check here</b> <input type="checkbox"/> <b>and complete lines 70 through 74.</b>			
	<b>70</b> Capital stock, trust principal, or current funds . . . . .		<b>70</b>	
	<b>71</b> Paid-in or capital surplus, or land, building, and equipment fund . . . . .		<b>71</b>	
	<b>72</b> Retained earnings, endowment, accumulated income, or other funds . . . . .		<b>72</b>	
	<b>73 Total net assets or fund balances</b> (add lines 67 through 69 or lines 70 through 72, column (A) must equal line 19, column (B) must equal line 21) . . . . .	9,790,114.	<b>73</b>	24,111,854.
	<b>74 Total liabilities and net assets / fund balances</b> (add lines 66 and 73) . . . . .	50,703,638.	<b>74</b>	72,205,055.

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

Part IV-A Reconciliation of Revenue per Audited Financial Statements with Revenue per Return (See page 27 of the instructions.)		Part IV-B Reconciliation of Expenses per Audited Financial Statements with Expenses per Return	
a Total revenue, gains, and other support per audited financial statements . . . ▶	a 53,566,451.	a Total expenses and losses per audited financial statements . . . . ▶	a 39,244,711.
b Amounts included on line a but not on line 12, Form 990		b Amounts included on line a but not on line 17, Form 990	
(1) Net unrealized gains on investments . . \$ 4,044,994.		(1) Donated services and use of facilities \$	
(2) Donated services and use of facilities \$		(2) Prior year adjustments reported on line 20, Form 990 . . . . \$	
(3) Recoveries of prior year grants . . . . \$		(3) Losses reported on line 20, Form 990 \$	
(4) Other (specify)		(4) Other (specify)	
_____ \$		_____ \$	
Add amounts on lines (1) through (4) ▶	b 4,044,994.	Add amounts on lines (1) through (4) . . ▶	b
c Line a minus line b . . . . . ▶	c 49,521,457.	c Line a minus line b . . . . . ▶	c 39,244,711.
d Amounts included on line 12, Form 990 but not on line a:		d Amounts included on line 17, Form 990 but not on line a:	
(1) Investment expenses not included on line 6b, Form 990 . . . \$		(1) Investment expenses not included on line 6b, Form 990 . . . \$	
(2) Other (specify):		(2) Other (specify):	
_____ \$		_____ \$	
Add amounts on lines (1) and (2) . . ▶	d	Add amounts on lines (1) and (2) . . ▶	d
e Total revenue per line 12, Form 990 (line c plus line d) . . . . . ▶	e 49,521,457.	e Total expenses per line 17, Form 990 (line c plus line d) . . . . . ▶	e 39,244,711.

**Part V List of Officers, Directors, Trustees, and Key Employees** (List each one even if not compensated, see page 27 of the instructions.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (If not paid, enter -0-)	(D) Contributions to employee benefit plans & deferred compensation	(E) Expense account and other allowances
<b>SEE STATEMENTS 10A &amp; 10B</b>		4,574,690.	189,413.	55,385.

75 Did any officer, director, trustee, or key employee receive aggregate compensation of more than \$100,000 from your organization and all related organizations, of which more than \$10,000 was provided by the related organizations?  Yes  No  
 If "Yes," attach schedule - see page 28 of the instructions

Part VI Other Information (See page 28 of the instructions.)

Yes No

76 Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity . . . 76 X
77 Were any changes made in the organizing or governing documents but not reported to the IRS? . . . 77 X
78a Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return? . . . 78a X
b If "Yes," has it filed a tax return on Form 990-T for this year? . . . 78b N/A
79 Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement . . . 79 X
80a Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization? . . . 80a X
b If "Yes," enter the name of the organization IN-Q-TEL EMPLOYEE INCENTIVE PROGRAM and check whether it is exempt or X nonexempt
81a Enter direct and indirect political expenditures. See line 81 instructions. . . 81a NONE
b Did the organization file Form 1120-POL for this year? . . . 81b N/A
82a Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value? . . . 82a X
b If "Yes," you may indicate the value of these items here Do not include this amount as revenue in Part I or as an expense in Part II (See instructions in Part III) . . . 82b
83a Did the organization comply with the public inspection requirements for returns and exemption applications? . . . 83a X
b Did the organization comply with the disclosure requirements relating to quid pro quo contributions? . . . 83b N/A
84a Did the organization solicit any contributions or gifts that were not tax deductible? . . . 84a N/A
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? . . . 84b N/A
85 501(c)(4), (5), or (6) organizations a Were substantially all dues nondeductible by members? . . . 85a N/A
b Did the organization make only in-house lobbying expenditures of \$2,000 or less? . . . 85b N/A
If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year
c Dues, assessments, and similar amounts from members . . . 85c N/A
d Section 162(e) lobbying and political expenditures . . . 85d N/A
e Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices . . . 85e N/A
f Taxable amount of lobbying and political expenditures (line 85d less 85e) . . . 85f N/A
g Does the organization elect to pay the section 6033(e) tax on the amount on line 85f? . . . 85g N/A
h If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year? . . . 85h N/A
86 501(c)(7) orgs Enter a Initiation fees and capital contributions included on line 12 . . . 86a N/A
b Gross receipts, included on line 12, for public use of club facilities . . . 86b N/A
87 501(c)(12) orgs. Enter a Gross income from members or shareholders . . . 87a N/A
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them) . . . 87b N/A
88 At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX . . . 88 X
89a 501(c)(3) organizations Enter Amount of tax imposed on the organization during the year under: section 4911 NONE; section 4912 NONE, section 4955 NONE
b 501(c)(3) and 501(c)(4) orgs Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction . . . 89b X
c Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 . . . NONE
d Enter. Amount of tax on line 89c, above, reimbursed by the organization . . . NONE
90a List the states with which a copy of this return is filed CALIFORNIA
b Number of employees employed in the pay period that includes March 12, 2004 (See instructions) . . . 90b 43
91 The books are in care of IN-Q-TEL Telephone no 703-248-3000
Located at PO BOX 12407 ARLINGTON, VA ZIP + 4 22219
92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 - Check here and enter the amount of tax-exempt interest received or accrued during the tax year . . . 92 N/A

**Part VII Analysis of Income-Producing Activities** (See page 33 of the instructions.)

Note: Enter gross amounts unless otherwise indicated

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue					
a _____					
b _____					
c _____					
d _____					
e _____					
f Medicare/Medicaid payments . . . . .					
g Fees and contracts from government agencies . . . . .					
94 Membership dues and assessments . . . . .					
95 Interest on savings and temporary cash investments . . . . .					
96 Dividends and interest from securities . . . . .					
97 Net rental income or (loss) from real estate					
a debt-financed property . . . . .					
b not debt-financed property . . . . .					
98 Net rental income or (loss) from personal property . . . . .					
99 Other investment income . . . . .			18	107,977.	
100 Gain or (loss) from sales of assets other than inventory . . . . .			18	5,083,374.	
101 Net income or (loss) from special events . . . . .					
102 Gross profit or (loss) from sales of inventory . . . . .					
103 Other revenue a _____					
b _____					
c _____					
d _____					
e _____					
104 Subtotal (add columns (B), (D), and (E)) . . . . .				5,191,351.	
105 Total (add line 104, columns (B), (D), and (E)) . . . . .					5,191,351.

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.

**Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes** (See page 34 of the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
▼	N/A

**Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities** (See page 34 of the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

**Part X Information Regarding Transfers Associated with Personal Benefit Contracts** (See page 34 of the instructions.)

- (a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?  Yes  No
- (b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?  Yes  No

Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions)

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Please Sign Here**

Signature of officer: Scott Yancey Date: 1/27/06  
 Type or print name and title: SR Exec Officer and CFO

**Paid Preparer's Use Only**

Preparer's signature: [Signature] Date: 1/23/06 Check if self-employed:

Firm's name (or yours if self-employed), address, and ZIP + 4: PRICewaterhouseCOOPERS LLP EIN: 13-4008324  
1301 K ST NW, SUITE 800W Phone no: 202-414-1000  
WASHINGTON, DC 20005

**SCHEDULE A**  
**(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

**Organization Exempt Under Section 501(c)(3)**

(Except Private Foundation) and Section 501(e), 501(f), 501(k),  
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust

**Supplementary Information - (See separate instructions.)**

▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

OMB No 1545-0047

**2004**

Name of the organization

**IN-Q-TEL, INC.**

Employer identification number

**52-2149962**

**Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees**  
(See page 1 of the instructions. List each one. If there are none, enter "None.")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
<u>SEE STATEMENT 11</u>		1,489,992.	98,966.	NONE
-----				
-----				
-----				
-----				
Total number of other employees paid over \$50,000 . . . . . ▶	37			

**Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services**  
(See page 2 of the instructions. List each one (whether individuals or firms). If there are none, enter "None.")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
<u>SEE STATEMENT 12</u>		6,995,825.
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-----		
Total number of others receiving over \$50,000 for professional services . . . . . ▶	78	

For Paperwork Reduction Act Notice, see the Instructions for Form 990 and Form 990-EZ.

Schedule A (Form 990 or 990-EZ) 2004

JSA

Part III Statements About Activities (See page 2 of the instructions.)		Yes	No
1	During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ▶ \$ _____ (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B) . . . . .		X
Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes," must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities			
2	During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions)		
a	Sale, exchange, or leasing of property? . . . . . STMT 9	2a	X
b	Lending of money or other extension of credit? . . . . .	2b	X
c	Furnishing of goods, services, or facilities? . . . . . STMT 9	2c	X
d	Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? . FORM 990, PART V . . . . .	2d	X
e	Transfer of any part of its income or assets? . . . . .	2e	X
3a	Do you make grants for scholarships, fellowships, student loans, etc? (If "Yes," attach an explanation of how you determine that recipients qualify to receive payments) . . . . .	3a	X
b	Do you have a section 403(b) annuity plan for your employees? . . . . .	3b	X
4a	Did you maintain any separate account for participating donors where donors have the right to provide advice on the use or distribution of funds? . . . . .	4a	X
b	Do you provide credit counseling, debt management, credit repair, or debt negotiation services? . . . . .	4b	X

**Part IV Reason for Non-Private Foundation Status (See pages 3 through 6 of the instructions.)**

- The organization is not a private foundation because it is (Please check only ONE applicable box)
- 5  A church, convention of churches, or association of churches Section 170(b)(1)(A)(i)
  - 6  A school Section 170(b)(1)(A)(ii) (Also complete Part V)
  - 7  A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)
  - 8  A Federal, state, or local government or governmental unit Section 170(b)(1)(A)(v)
  - 9  A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii) Enter the hospital's name, city, and state ▶ \_\_\_\_\_
  - 10  An organization operated for the benefit of a college or university owned or operated by a governmental unit Section 170(b)(1)(A)(iv) (Also complete the Support Schedule in Part IV-A)
  - 11a  An organization that normally receives a substantial part of its support from a governmental unit or from the general public Section 170(b)(1)(A)(vi) (Also complete the Support Schedule in Part IV-A)
  - 11b  A community trust Section 170(b)(1)(A)(vi) (Also complete the Support Schedule in Part IV-A)
  - 12  An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2) (Also complete the Support Schedule in Part IV-A)
  - 13  An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above, or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2) (See section 509(a)(3))

Provide the following information about the supported organizations (See page 5 of the instructions)

(a) Name(s) of supported organization(s)	(b) Line number from above

14  An organization organized and operated to test for public safety Section 509(a)(4) (See page 5 of the instructions)



Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12) Use cash method of accounting.

Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Table with 6 columns: Calendar year (or fiscal year beginning in), (a) 2003, (b) 2002, (c) 2001, (d) 2000, (e) Total. Rows include: 15 Gifts, grants, and contributions received; 16 Membership fees received; 17 Gross receipts from admissions, merchandise sold or services performed; 18 Gross income from interest, dividends, amounts received from payments on securities loans; 19 Net income from unrelated business activities not included in line 18; 20 Tax revenues levied for the organization's benefit; 21 The value of services or facilities furnished to the organization by a governmental unit without charge; 22 Other income; 23 Total of lines 15 through 22; 24 Line 23 minus line 17; 25 Enter 1% of line 23.

Table for lines 26-27. 26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24; b Prepare a list for your records to show the name of and amount contributed by each person; c Total support for section 509(a)(1) test; d Add Amounts from column (e) for lines 18, 19, 22; e Public support (line 26c minus line 26d total); f Public support percentage (line 26e (numerator) divided by line 26c (denominator)).

27 Organizations described on line 12: a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person" Do not file this list with your return. Enter the sum of such amounts for each year

(2003) \_\_\_\_\_ (2002) \_\_\_\_\_ (2001) NOT APPLICABLE (2000) \_\_\_\_\_

b For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000 (Include in the list organizations described in lines 5 through 11, as well as individuals) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year

(2003) \_\_\_\_\_ (2002) \_\_\_\_\_ (2001) \_\_\_\_\_ (2000) \_\_\_\_\_

c Add: Amounts from column (e) for lines 15 \_\_\_\_\_ 16 \_\_\_\_\_ 17 \_\_\_\_\_ 20 \_\_\_\_\_ 21 \_\_\_\_\_

d Add Line 27a total \_\_\_\_\_ and line 27b total \_\_\_\_\_

e Public support (line 27c total minus line 27d total)

f Total support for section 509(a)(2) test Enter amount from line 23, column (e) | 27f |

g Public support percentage (line 27e (numerator) divided by line 27f (denominator)) | 27g | %

h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator)) | 27h | %

28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 2000 through 2003, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant Do not file this list with your return. Do not include these grants in line 15

**Part V Private School Questionnaire (See page 7 of the instructions.)**

**NOT APPLICABLE**

**(To be completed ONLY by schools that checked the box on line 6 in Part IV)**

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe, if "No," please explain. (If you need more space, attach a separate statement )		
-----			
-----			
-----			
32	Does the organization maintain the following		
a	Records indicating the racial composition of the student body, faculty, and administrative staff?		
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?		
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?		
d	Copies of all material used by the organization or on its behalf to solicit contributions?		
If you answered "No" to any of the above, please explain (If you need more space, attach a separate statement )			
-----			
-----			
33	Does the organization discriminate by race in any way with respect to		
a	Students' rights or privileges?		
b	Admissions policies?		
c	Employment of faculty or administrative staff?		
d	Scholarships or other financial assistance?		
e	Educational policies?		
f	Use of facilities?		
g	Athletic programs?		
h	Other extracurricular activities?		
If you answered "Yes" to any of the above, please explain (If you need more space, attach a separate statement )			
-----			
-----			
34 a	Does the organization receive any financial aid or assistance from a governmental agency?		
b	Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement		
35	Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev Proc 75-50, 1975-2 C B 587, covering racial nondiscrimination? If "No," attach an explanation		

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 9 of the instructions.)

(To be completed ONLY by an eligible organization that filed Form 5768) NOT APPLICABLE

Check a if the organization belongs to an affiliated group Check b if you checked "a" and "limited control" provisions apply

Limits on Lobbying Expenditures

(The term "expenditures" means amounts paid or incurred)

Table with columns for line numbers (36-44), descriptions of lobbying expenditures, and columns (a) Affiliated group totals and (b) To be completed for ALL electing organizations.

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below See the instructions for lines 45 through 50 on page 11 of the instructions)

Table titled 'Lobbying Expenditures During 4-Year Averaging Period' with columns for years 2004, 2003, 2002, 2001, and Total, and rows for various expenditure categories (45-50).

Part VI-B Lobbying Activity by Nonelecting Public Charities

NOT APPLICABLE

(For reporting only by organizations that did not complete Part VI-A) (See page 11 of the instructions.)

Table for reporting lobbying activity with columns for Yes, No, and Amount, and rows for categories a through i.

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities

**Part VII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations (See page 11 of the instructions.)**

51 Did the reporting organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?

		Yes	No
a	Transfers from the reporting organization to a noncharitable exempt organization of		
(i)	Cash		X
(ii)	Other assets		X
b	Other transactions		
(i)	Sales or exchanges of assets with a noncharitable exempt organization		X
(ii)	Purchases of assets from a noncharitable exempt organization		X
(iii)	Rental of facilities, equipment, or other assets		X
(iv)	Reimbursement arrangements		X
(v)	Loans or loan guarantees		X
(vi)	Performance of services or membership or fundraising solicitations		X
c	Sharing of facilities, equipment, mailing lists, other assets, or paid employees		X

d If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received.

(a) Line no	(b) Amount involved	(c) Name of noncharitable exempt organization	(d) Description of transfers, transactions, and sharing arrangements
N/A			

52a Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527?  Yes  No

b If "Yes," complete the following schedule

(a) Name of organization	(b) Type of organization	(c) Description of relationship
N/A		

FOR THE TAX YEAR ENDED MARCH 31, 2005

FORM 990, PART IV, LINES 46 & 62

FOR THE REPORTING PERIOD ENDING MARCH 31, 2005, THE TAXPAYER WAS OBLIGATED TO UTILIZE ALL INTEREST EARNED ON CASH RECEIVED UNDER CONTRACT WITH THE CENTRAL INTELLIGENCE AGENCY FOR THE SUPPORT OF SCIENTIFIC RESEARCH OR EDUCATION IN PURSUIT OF THE TAXPAYER'S MISSION. INTEREST IN THE AMOUNT OF \$386,143 WAS RECEIVED DURING THE REPORTING PERIOD AND HAS BEEN INCLUDED AS DEFERRED REVENUE ON THE BALANCE SHEET.

FORM 990, PART I - OTHER INVESTMENT INCOME

<u>DESCRIPTION</u>	<u>AMOUNT</u>
GAIN ON EQUITY INVESTMENT IN IN-Q-TEL EMPLOYEE FUND, LLC	107,977.
TOTAL	<u>107,977.</u>

FORM 990, PART I, LINES 8A-8D (REALIZED GAINS & LOSSES)

Security Name	Acquisition Date	Sale Date	Shares / Warrants	Cost	Sale Proceeds (1)	Realized (Depreciation) / Gain
<b>Non-Publicly Traded Securities</b>						
Safeweb	11/30/00	10/15/03	97,129	\$ -	\$ 97,129	\$ 97,129
Tractlon	10/23/01	10/01/04	-	197	-	(197)
SRD	04/12/02	01/06/05	715,042	137,199	2,328,891	2,191,692
Keyhole	02/27/03	10/18/04	1,439,205	-	422,371	422,371
SofLinx	09/04/03	12/01/04		44,567	241,366	196,799
<b>Sub-total - Non-Publicly Traded Securities</b>						
				181,963	3,089,757	2,907,794
<b>Sub-total - Publicly Traded Securities</b>						
				100,720	2,276,300	2,175,580
<b>Total</b>				\$ 282,683	\$ 5,366,057	\$ 5,083,374

(1) In-Q-Tel is required to reinvest returns into further technologies and programs to benefit the CIA, the IC and the US government, in accordance with the company's non-profit mission and agreement with the CIA.

FORM 990, PART I - OTHER INCREASES IN FUND BALANCES

DESCRIPTION	AMOUNT
-----	-----
UNREALIZED GAIN ON INVESTMENTS	4,044,994.
TOTAL	----- 4,044,994. =====



FORM 990, PART II - OTHER EXPENSES

DESCRIPTION	TOTAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL
DUES AND SUBSCRIPTIONS	76,007.	3,494.	72,513.
PROFESSIONAL FEES	518,560.	40,250.	478,310.
RECRUITING, HR, PLACEMENT FEES	3,834.	NONE	3,834.
INSURANCE	493,095.	5,469.	487,626.
MISCELLANEOUS	10,195.	NONE	10,195.
TEMPORARY HELP	4,694.	4,694.	NONE
LICENSES AND PERMITS	37,320.	733.	36,587.
RESEARCH MATERIALS	183,005.	146,534.	36,471.
WORK PROGRAMS FOR CUSTOMERS	19,633,744.	19,633,744.	NONE
EQUIPMENT EXPENSE	343,064.	66,071.	276,993.
MOVE & EQUIPMENT	606,528.	409,495.	197,033.
TOTALS	21,910,046.	20,310,484.	1,599,562.

**March 31, 2005****Form 990, Part III, Statement of Program Service Accomplishments**

In-Q-Tel was established in 1999 as an independent, private and not-for-profit 501(c)(3) company to help the CIA and the greater US Intelligence Community (IC) to identify, acquire, and deploy cutting-edge technologies that meet present and future intelligence needs. In-Q-Tel's open and entrepreneurial venture capital model gives it the agility - lacking within traditional government contracting approaches - to find and nurture the entrepreneurs and companies that can provide a supply chain of innovation that enable the IC to benefit from Technology breakthroughs

In-Q-Tel's mission requires us to take the calculated investment risks necessary to support leading-edge, but often unproven technologies and mature them to operational technologies that help the CIA and the IC achieve their mission

**Approach**

In-Q-Tel works as:

- A venture capital firm, investing in companies and helping build businesses into reliable providers for the IC
- A technology accelerator, fostering development and introduction of technologies needed by the IC
- A capabilities builder, helping nascent commercial technologies mature into commercial-off-the-shelf (COTS) products the government can buy
- An idea lab and forum for innovation, providing the IC with insight and access to both new technologies and leading innovators and thinkers

**Identifying the Newest Technologies:**

Venture capital investments are In-Q-Tel's main avenue for gaining access to emerging companies that are not known to the IC. Through equity investments, In-Q-Tel gains insight and influence to support technology development that will generate products for the IC. In-Q-Tel complements equity stakes with late-stage research and development programs. In this way, our investments accelerate product development and delivery and help companies add capabilities that IC users need.

Areas of focus include a broad range of technologies from information technology, electronics and semiconductors as well as physical and biological sciences.

**Building Strong Companies for Strong Technologies:**

Using product development funding and equity investing, In-Q-Tel creates incentives for companies to put their best talent into solving the toughest technology problems facing the CIA and the Intelligence Community. Through work programs and market guidance, In-Q-Tel fosters the development of strong companies, which produce commercially viable technologies that at the same time solve critical intelligence community mission challenges.

**Serving New Intelligence Community Customers:**

Today, In-Q-Tel has expanded its IC partnerships to include CIA, the Defense Intelligence Agency (DIA), the Federal Bureau of Investigation (FBI), the National Geospatial Intelligence Agency (NGA) and others.

*Program Accomplishments*

In furtherance of its exempt purposes, In-Q-Tel's achievements since inception in 1999 through December 31, 2005 include the following:

1. Delivered more than **100** technologies, many of which have contributed directly to CIA and IC missions. Technology delivered by In-Q-Tel, for example, makes it possible to fuse data from maps, images, text and other sources, visualize information in ways not previously possible, rapidly process vast amounts of

- information in multiple languages, make sense of seemingly unconnected information, and identify the most critical intelligence faster and more effectively
- 2. Engaged with nearly **90** commercial companies, most of which were previously unknown to the government, and **11** universities and research labs, which In-Q-Tel identified through its commercial and academic outreach programs and by reviewing more than **5400** US and international companies' business plans
- 3. Cultivated a network of more than **200** venture capital firms, **100** labs and research organizations, further broadening the IC's access to innovative technologies
- 4. Leveraged more than **\$1 Billion** in private-sector funds to support technology for the CIA and the IC

#### **Governance and Oversight:**

In-Q-Tel is bound by a Charter agreement with the CIA, which sets out the relationship between the two organizations, and by an annual contract with the CIA. In-Q-Tel is not part of the CIA and is not a government agency.

The company is governed by an independent Board of Trustees comprising former cabinet officers and officials from defense and the Intelligence Community, as well as CEOs of major companies, university leaders, and leaders of the investment industry

A government contractor operating as an independent nonprofit corporation, In-Q-Tel receives regular oversight from the CIA, which keeps Congress informed of the company's activities

In-Q-Tel has been the focus of a number of thoughtful studies that describe and scrutinize the organization. Two are cited below.

- **Business Executives for National Security (BENS)**

In a report to Congress, an independent panel of business executives recommended that In-Q-Tel, serve as the CIA's 'technology accelerator'." The panel concluded that In-Q-Tel has achieved significant early progress and that, "creating a model like In-Q-Tel makes good business sense "

The assessment was made by a panel from Business Executives for National Security, a national, non-partisan, and not-for-profit organization of business leaders— 30 of whom formed the Independent Panel after the CIA selected BENS to conduct the congressionally mandated study. The report, "Accelerating the Acquisition and Implementation of New Technologies for Intelligence: The Report of the Independent Panel on the Central Intelligence Agency In-Q-Tel Venture," was submitted to the CIA and Congress

June 2001

Source—Business Executives for National Security

[www.bens.org](http://www.bens.org)

- **Harvard Business School Case Study**

This Harvard Business School case study provides background about In-Q-Tel's history and strategy, laying the groundwork for In-Q-Tel to consider the case for expansion

By Josh Lerner, Felda Hardymon, Kevin Book, Ann Leamon

February 12, 2004

Source—Harvard Business School

[http://harvardbusinessonline.hbsp.harvard.edu/b02/en/cases/cases\\_home.jhtml](http://harvardbusinessonline.hbsp.harvard.edu/b02/en/cases/cases_home.jhtml)

FORM 990, PART IV - INVESTMENTS - SECURITIES

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DESCRIPTION	ENDING BOOK VALUE
-----	-----
PREFERRED STOCK	4,318,971.
COMMON STOCK	761,430.
WARRANTS - PREFERRED	7,482,737.
WARRANTS - COMMON	2,622,131.
TOTALS	----- 15,185,269. =====

FORM 990, PART IV - INVESTMENTS - OTHER

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DESCRIPTION	ENDING BOOK VALUE
-----	-----
INVESTMENT IN IN-Q-TEL EMPLOYEE FUND, LCC CONVERTIBLE NOTE	318,064. 251,060.
TOTALS	----- 569,124. =====

FORM 990, PART II, LINE 42 (DEPRECIATION) & LINE 57 (FIXED ASSETS)

COMPUTER EQUIPMENT	1,989,170
FURNITURE AND FIXTURES	550,082
LEASEHOLD IMPROVEMENTS	909,869
OFFICE EQUIPMENT	714,082
TOTAL	<u>4,163,203</u>
LESS: ACCUMULATED DEPRECIATION	<u>(2,460,736)</u>
	<u>1,702,467</u>
DEPRECIATION EXPENSE	<u>1,011,719</u>

Depreciation is calculated for each asset using the straight-line method over the assets' useful lives.

SCHEDULE A, PART III - EXPLANATION FOR LINES 2A & 2C  
=====

THE ORGANIZATION HAS ENTERED INTO CONTRACTS WITH OTHER ENTITIES WITH WHICH VARIOUS TRUSTEES ARE AFFILIATED. IN COMPLIANCE WITH THE ORGANIZATION'S CONFLICT OF INTEREST POLICY, TRUSTEES ARE REQUIRED TO RECUSE THEMSELVES FROM DECISIONS CONCERNING ANY ENTITY WITH WHICH THEY ARE AFFILIATED TO ENSURE THAT ALL CONTRACTS ARE NEGOTIATED ON AN ARM'S LENGTH BASIS AND APPROVED BY DISINTERESTED TRUSTEES.

Name and Address	Title and average hours per week devoted to position	Compensation (\$)						Contributions to employee benefit plans & deferred compensation (2 and 5)	Expense account and other allowances (3 and 5)
		Wages (1)	Other	Bonus (1)	Long Term Investment Program (1)	Trustee Fees (1)	Total		
G Louie c/o In-Q-Tel, Inc PO Box 12407 Arlington, VA 22219	President & CEO 40 Hrs/Wk	388,859	-	292,138	113,229	-	792,226	(61,707)	55,385
M Griffin c/o In-Q-Tel, Inc PO Box 12407 Arlington, VA 22219	Former COO & President 40 Hrs/Wk (Part Year)	114,041	302,470	155,230	21,100	-	592,841	7,875	-
S. Yancey c/o In-Q-Tel, Inc PO Box 12407 Arlington, VA 22219	Senior Executive Officer, CFO, & Treasurer 40 Hrs/Wk	261,701	-	52,738	87,025	-	401,464	22,944	-
M Tyrnell c/o In-Q-Tel, Inc PO Box 12407 Arlington, VA 22219	Former CFO & Vice President 40 Hrs/Wk (Part Year)	-	25,820	-	-	-	25,820	2,690	-
S. Mendel c/o In-Q-Tel, Inc PO Box 12407 Arlington VA 22219	Managing Director 40 Hrs/Wk	303,614	-	152,200	88,068	-	543,882	20,663	-
B Adams c/o In-Q-Tel, Inc PO Box 12407 Arlington VA 22219	General Counsel and Secretary 40 Hrs/Wk	249,207	-	130,041	85,787	-	465,035	22,972	-
J Dorman c/o In-Q-Tel, Inc PO Box 12407 Arlington VA 22219	Executive Vice President - Mission 40 Hrs/Wk	237,159	-	125,067	88,068	-	450,294	20,838	-
E Kaufmann c/o In-Q-Tel, Inc PO Box 12407 Arlington, VA 22219	Senior Vice President 40 Hrs/Wk	205,454	-	71,016	88,068	-	364,538	23,165	-
K von Eckartsberg c/o In-Q-Tel, Inc PO Box 12407 Arlington, VA 22219	Vice President - Strategic Alliance 40 Hrs/Wk	174,435	-	55,337	70,875	-	300,647	22,864	-
N Kaplan c/o In-Q-Tel, Inc PO Box 12407 Arlington, VA 22219	Corporate Vice President 40 Hrs/Wk	169,126	-	49,857	73,335	-	292,318	22,637	-



For the Tax Year Ended March 31, 2005  
 In-Q-Tel, Inc  
 Form 990 Part V - List of Officers, Directors, Trustees and Key Employees (continued)

Name and Address	Title and average hours per week devoted to position	Compensation (5)					Contribution Directed towards Charity (4)	Contributions to employee benefit plans & deferred compensation (2 and 5)	Expense account and other allowances (3 and 5)
		Wages (1)	Other	Bonus (1)	Long Term Investment Program (1)	Trustee Fees (1)			
L Ault c/o In-Q-Tel, Inc PO Box 12407 Arlington VA 22219	Chairman of the Board of Trustees & Committee Chair Up to 100 hours per quarter	-	-	-	-	40,000	40,000	-	-
P Kaminski c/o In-Q-Tel, Inc PO Box 12407 Arlington VA 22219	Trustee Up to 100 hours per quarter	-	-	-	-	30,625	30,625	-	-
N Augustine c/o In-Q-Tel, Inc PO Box 12407 Arlington VA 22219	Trustee & Committee Chair Up to 100 hours per quarter	-	-	-	-	-	-	-	-
J Kim c/o In-Q-Tel, Inc PO Box 12407 Arlington VA 22219	Trustee Up to 100 hours per quarter	-	-	-	-	-	-	-	-
M Crow c/o In-Q-Tel, Inc PO Box 12407 Arlington VA 22219	Vice-Chairman of the Board of Trustees & Committee Chair Up to 100 hours per quarter	-	-	-	-	42,500	42,500	-	-
J Seely Brown c/o In-Q-Tel, Inc PO Box 12407 Arlington VA 22219	Trustee Up to 100 hours per quarter	-	-	-	-	35,000	35,000	-	-
J Barksdale c/o In-Q-Tel, Inc PO Box 12407 Arlington VA 22219	Trustee Up to 100 hours per quarter	-	-	-	-	35,000	35,000	-	-
D Jeremiah c/o In-Q-Tel, Inc PO Box 12407 Arlington VA 22219	Trustee Up to 100 hours per quarter Resigned during the year	-	-	-	-	17,500	17,500	-	-
A Jones c/o In-Q-Tel, Inc PO Box 12407 Arlington VA 22219	Trustee & Committee Chair Up to 100 hours per quarter Part Year	-	-	-	-	37,500	37,500	-	-
R Kerr c/o In-Q-Tel, Inc PO Box 12407 Arlington VA 22219	Trustee Up to 100 hours per quarter	-	-	-	-	35,000	35,000	-	-
W Perry c/o In-Q-Tel, Inc PO Box 12407 Arlington VA 22219	Trustee Up to 100 hours per quarter	-	-	-	-	35,000	35,000	-	-
H Cox c/o In-Q-Tel, Inc PO Box 12407 Arlington VA 22219	Trustee & Committee Chair Up to 100 hours per quarter	-	-	-	-	37,500	37,500	-	-
<b>Total</b>		<b>2,101,596</b>	<b>328,290</b>	<b>1,083,624</b>	<b>715,555</b>	<b>345,625</b>	<b>4,574,690</b>	<b>(70,926)</b>	<b>189,413</b>

Notes  
 (1) See Statement 10B for compensation details  
 (2) See Statement 10B (Benefits) for description of benefit plans included in this column  
 (3) For living expenses incurred in support of In-Q-Tel's bi-coastal operations and are considered taxable compensation  
 (4) These individuals have donated their interest in the Employee Investment Program to the CIA's Officers Memorial Foundation a public charity recognized as tax-exempt under section 501(c)(3)  
 (5) Compensation, benefits, and other allowances are reported on a calendar year basis as permitted by Internal Revenue Code Regulation section 1.6033-2(a)(2)(ii)(h). This method of reporting differs from the previous year ended March 31, 2004 which was done on a fiscal year basis

**Form 990, Part V and Schedule A, Part I – Compensation of Officers, Trustees, Key Employees and Five Highest Paid Employees**

As a non-profit 501(c)(3) organization, In-Q-Tel's mission requires us to deliver leading-edge technologies to the CIA and the Intelligence Community by investing in technologies that are beneficial to the security of the United States. In order to effectively perform this job, In-Q-Tel hires employees with highly differentiated skills and credentials. In-Q-Tel must attract, retain and reward employees (based on performance) from the industries and talent pools aligned with the mission of In-Q-Tel. This requires a mix of employees from the private equity, financial services, high technology and general industry markets. Compensation programs and policies necessarily are modeled after those found in these markets and are designed to encourage employees to achieve against goals. The highly specialized talents necessary to meet the needs of the business are typically not found in traditional non-profit organizations.

Our compensation plan was developed to pay our employees appropriately under IRS guidelines for not-for-profit 501(c)(3) organizations, and in doing so incentivize employees to achieve mission goals. The Human Resources and Compensation Committee of the Board of Trustees is responsible for the ongoing oversight over the administration of compensation at In-Q-Tel.

**Compensation Programs**

In-Q-Tel's compensation program consists of:

- Base Salary (annual increases are based on survey market data and individual performance)
- Annual Incentive Program (based solely on performance)
- Employee Investment Program (long-term incentive; indicator of long-term performance success.)

***Base Salary***

Base salary is determined based on relevant market data in appropriate industries and reviewed by independent outside consultants.

***Annual Incentive Plan***

The annual incentive plan is based solely on performance. It is designed to focus, motivate and reward In-Q-Tel employees for the achievement of specific annual goals and outcomes that advance the success of In-Q-Tel in carrying out its mission for the CIA and the Intelligence community.

Employees' "target" bonus is based on market survey data for comparable positions in comparable industries. An employee's annual incentive is tied to performance against company and individual goals and objectives.

In-Q-Tel's performance score is based on the Company's achievements during the relevant fiscal year as determined by the Board of Trustees and advised by an annual review provided by the CIA's In-Q-Tel Interface Center.

### ***Employee Incentive Program (EIP)***

#### **Purpose**

As a non-profit corporation, non-stock entity, In-Q-Tel is unable to offer stock or stock options on terms similar to the equity-based compensation of competitive publicly traded companies. The EIP provides a means by which the Company can offer a long-term employee investment program and provides employees a compelling stake in the Company's programs, sharing both the risk and the benefits.

The EIP is a limited liability company (LLC) which makes side-by-side investments with In-Q-Tel into each portfolio security. All employees are required to invest a portion of their after tax compensation into the EIP which is used to make these side-by-side investments. This long-term incentive creates positive incentives that benefit the mission by aligning employees' interests with the overall success of In-Q-Tel's programs and mission.

In-Q-Tel is the manager of the EIP and operates the day-to-day operations of the EIP. There is also a Management Committee whose responsibility is to exercise all voting and other rights associated with securities and other instruments owned by the EIP. The Management Committee consists of members appointed by In-Q-Tel's Board of Trustees. During this Reporting Period, the Management Committee consisted of members of the In-Q-Tel Board of Trustees (Board of Trustees members do not participate in the EIP), and the President and CEO of In-Q-Tel (who has donated his interest in the EIP to charity).

#### **Benefits**

The Company offers medical, dental, life insurance, short and long-term disability, a 401(k) Safe Harbor plan and commuter benefits.

#### **Board of Trustees Compensation**

Trustees fees paid in this Reporting Period were paid pursuant to a plan approved by a Committee of Trustees with advice of outside compensation consultants as to reasonableness. Several Trustees have waived compensation.

For the Tax Year Ending March 31, 2005  
 In-Q-Tel, Inc.  
 Form 990, Schedule A, Part I - Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees

Name and Address	Title and average hours per week devoted to position	Compensation (3)				Contributions to employee benefit plans & deferred compensation (2 and 3)
		Wages	Bonus	Long Term Investment Program (1)	Total	
J. Adiego c/o In-Q-Tel, Inc PO Box 12407 Arlington, VA 22219	Portfolio Manager/Partner 40 Hrs/Wk	187,939	61,867	75,486	325,292	23,026
C. Wallace c/o In-Q-Tel, Inc PO Box 12407 Arlington, VA 22219	Vice President Strategic Alliances 40 Hrs/Wk	160,491	41,921	66,394	268,806	21,592
G. Pepus c/o In-Q-Tel, Inc PO Box 12407 Arlington, VA 22219	Senior Director Federal Outreach 40 Hrs/Wk	167,734	54,601	73,335	295,670	22,838
C. Cotell c/o In-Q-Tel, Inc PO Box 12407 Arlington, VA 22219	Vice President Strategic Alliances 40 Hrs/Wk	194,946	42,434	70,875	308,255	14,723
L. Clark c/o In-Q-Tel, Inc PO Box 12407 Arlington, VA 22219	AVP Technology & Information Infrastructure 40 Hrs/Wk	183,171	49,736	59,062	291,969	16,788
	Total	894,281	250,559	345,152	1,489,992	98,966

(1) The Long Term Investment Program is a fund with side-by-side investments in In-Q-Tel's portfolio companies  
 See Statement 10B (Employee Investment Plan)  
 (2) See Statement 10B (Benefits) for description of benefit plans included in this column  
 (3) Compensation and benefits are reported on a calendar year basis as permitted by Internal Revenue Code Regulation section 1.6033-2(a)(2)(i)(h)  
 This method of reporting differs from the previous year ended March 31, 2004 which was done on a fiscal year basis

For the Tax Year Ending March 31, 2005

52-2149962

In-Q-Tel, Inc.

Form 990, Schedule A, Part II - Compensation of the Five Highest Paid Independent Contractors for Professional Services

<u>Name</u>	<u>Address</u>	<u>Service</u>	<u>Amount</u>
Language Weaver, Inc	Manna del Rey, CA	Technology consultant	\$1,038,797
NovoDynamics, Inc	Ann Arbor, MI	Technology consultant	\$1,063,500
Fluidigm Corporation	San Francisco, CA	Technology consultant	\$1,150,050
Endeca Technologies, Inc	Cambridge, MA	Technology consultant	\$1,743,478
Nanosys, Inc	Palo Alto, CA	Technology consultant	\$2,000,000
		<b>Total</b>	<b><u>\$6,995,825</u></b>

# Application for Extension of Time To File an Exempt Organization Return

OMB No 1545-1709

▶ File a separate application for each return.

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box  ▶
- If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form).  
**Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868.**

**Part I Automatic 3-Month Extension of Time—Only submit original (no copies needed)**

**Form 990-T corporations** requesting an automatic 6-month extension—check this box and complete Part I only  ▶

*All other corporations (including Form 990-C filers) must use Form 7004 to request an extension of time to file income tax returns. Partnerships, REMICs, and trusts must use Form 8736 to request an extension of time to file Form 1065, 1066, or 1041.*

**Electronic Filing (e-file).** Form 8868 can be filed electronically if you want a 3-month automatic extension of time to file one of the returns noted below (6 months for corporate Form 990-T filers). However, you cannot file it electronically if you want the additional (not automatic) 3-month extension, instead you must submit the fully completed signed page 2 (Part II) of Form 8868. For more details on the electronic filing of this form, visit [www.irs.gov/efile](http://www.irs.gov/efile)

<b>Type or print</b>	Name of Exempt Organization <b>IN-Q-TEL, INC.</b>	Employer identification number <b>52-2149962</b>
File by the due date for filing your return. See instructions	Number, street, and room or suite no. If a P O box, see instructions <b>P. O. BOX 12407</b>	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. <b>ARLINGTON, VA 22219</b>	

**Check type of return to be filed** (file a separate application for each return):

- |  |   |                                    |
|--|---|------------------------------------|
| <input checked="" type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (corporation)                 | <input type="checkbox"/> Form 4720 |
| <input type="checkbox"/> Form 990-BL         | <input type="checkbox"/> Form 990-T (sec. 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-EZ         | <input type="checkbox"/> Form 990-T (trust other than above)      | <input type="checkbox"/> Form 6069 |
| <input type="checkbox"/> Form 990-PF         | <input type="checkbox"/> Form 1041-A                              | <input type="checkbox"/> Form 8870 |

• The books are in the care of ▶ IN-Q-TEL

Telephone No ▶ 703-248-3000 FAX No. ▶ \_\_\_\_\_

- If the organization does **not** have an office or place of business in the United States, check this box  ▶
- If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) \_\_\_\_\_ . If this is for the **whole** group, check this box  . If it is for part of the group, check this box  and attach a list with the names and EINs of all members the extension will cover.

1 I request an automatic 3-month (6-months for a **Form 990-T corporation**) extension of time until NOVEMBER 15, 20 05 to file the exempt organization return for the organization named above. The extension is for the organization's return for:  
 ▶  calendar year 20\_\_ or  
 ▶  tax year beginning APRIL 1, 20 04 and ending MARCH 31, 20 05

2 If this tax year is for less than 12 months, check reason:  Initial return  Final return  Change in accounting period

3a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions. . . . . \$ N/A

b If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit . . . . . \$ N/A

c **Balance Due.** Subtract line 3b from line 3a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions . . . . . \$ 0

**Caution.** If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

Form **8868** (Rev 12-2004)

- If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only **Part II** and check this box  **Note.** Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868
- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** (on page 1).

**Part II Additional (not automatic) 3-Month Extension of Time—Must File Original and One Copy.**

Type or print	Name of Exempt Organization <u>IN-Q-TEL, INC.</u>	Employer identification number <u>52-2149962</u>
	Number, street, and room or suite no. If a P O box, see instructions <u>P. O. BOX 12407</u>	For IRS use only
	City, town or post office, state, and ZIP code For a foreign address, see instructions <u>ARLINGTON, VA 22219</u>	

**Check type of return to be filed** (File a separate application for each return)

<input checked="" type="checkbox"/> Form 990	<input type="checkbox"/> Form 990-T (sec 401(a) or 408(a) trust)	<input type="checkbox"/> Form 5227
<input type="checkbox"/> Form 990-BL	<input type="checkbox"/> Form 990-T (trust other than above)	<input type="checkbox"/> Form 6069
<input type="checkbox"/> Form 990-EZ	<input type="checkbox"/> Form 1041-A	<input type="checkbox"/> Form 8870
<input type="checkbox"/> Form 990-PF	<input type="checkbox"/> Form 4720	

**STOP: Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.**

- The books are in the care of **THE ORGANIZATION**  
Telephone No **703-248-3000** FAX No.
- If the organization does **not** have an office or place of business in the United States, check this box
- If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) . If this is for the **whole** group, check this box  If it is for **part** of the group, check this box  and attach a list with the names and EINs of all members the extension is for.

4 I request an additional 3-month extension of time until FEBRUARY 15, 2006

5 For calendar year , or other tax year beginning APRIL 1, 2004, and ending MARCH 31, 2005.

6 If this tax year is for less than 12 months, check reason.  Initial return  Final return  Change in accounting period

7 State in detail why you need the extension AWAITING INFORMATION FROM THIRD PARTIES WHICH IS NECESSARY TO PREPARE AND COMPLETE AN ACCURATE RETURN.

8a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits See instructions **\$ N/A**

b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868 **\$ N/A**

c **Balance Due.** Subtract line 8b from line 8a Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions **\$ 0.00**

**Signature and Verification**

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form

Signature [Signature] Title **TAX MANAGER** Date **11/15/05**

**Notice to Applicant—To Be Completed by the IRS**

- We **have** approved this application Please attach this form to the organization's return
- We **have not** approved this application However, we have granted a 10-day grace period from the later of the date shown below or the due date of the organization's return (including any prior extensions) This grace period is considered to be a valid extension of time for elections otherwise required to be made on a timely return Please attach this form to the organization's return
- We **have not** approved this application After considering the reasons stated in item 7, we cannot grant your request for an extension of time to file We are not granting a 10-day grace period
- We **cannot consider** this application because it was filed after the extended due date of the return for which an extension was requested
- Other

Director \_\_\_\_\_ By \_\_\_\_\_ Date \_\_\_\_\_

**Alternate Mailing Address** — Enter the address if you want the copy of this application for an additional 3-month extension returned to an address different than the one entered above

**EXTENSION APPROVED**

Type or print	Name <u>PRICETERHOUSECOOPERS, LLP.</u>	<b>DEC 08 2005</b>
	Number and street (include suite, room, or apt. no.) or a P.O. box number <u>1301 K STREET NW, SUITE 800W</u>	
	City or town, province or state, and country (including postal or ZIP code) <u>WASHINGTON, DC 20005-3333</u>	

FIELD DIRECTOR,  
SUBMISSION PROCESSING, OGDEN