

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 2005 calendar year, or tax year beginning 04/01, 2005, and ending 03/31/2006

B Check if applicable: Address change, Name change, Initial return, Final return, Amended return, Application pending. C Name of organization: IN-Q-TEL, INC. D Employer identification number: 52-2149962. E Telephone number: (703) 248-3000. F Accounting method: Cash, Accrual.

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

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 chooses to file a return, be sure to file a complete return. Some states require a complete return.

H and I are not applicable to section 527 organizations

H(a) Is this a group return for affiliates? Yes X No

H(b) If "Yes," enter number of affiliates N/A

H(c) Are all affiliates included? Yes No (If "No," attach a list. See instructions.)

H(d) Is this a separate return filed by an organization covered by a group ruling? Yes X No

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 66,548,874.

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

Table with 3 main columns: Description, Sub-column, and Total. 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; 6a Gross rents, fees, and other income; 6b Less: rental expenses; 6c Net rental income or (loss); 7 Other investment income; 8a Gross amount from sales of securities; 8b Less: cost of securities; 8c Gain or (loss); 9 Special events and activities; 10a Gross sales of inventory, less returns and allowances; 10b Less: cost of goods sold; 10c Gross profit or (loss) from sales of inventory; 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.

RECEIVED FEB 14 2007 STMT 1

SCANNED FEB 26 2007

**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 the instructions)

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22	Grants and allocations (attach schedule) (cash \$ _____ noncash \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	22			
23	Specific assistance to individuals (attach schedule)	23			
24	Benefits paid to or for members (attach schedule)	24			STMT 3
25	Compensation of officers, directors, etc	25 4,043,830.	1,472,436.	2,571,394.	
26	Other salaries and wages	26 8,266,107.	4,774,404.	3,491,703.	
27	Pension plan contributions	27 370,713.	194,169.	176,544.	
28	Other employee benefits	28 754,102.	372,172.	381,930.	
29	Payroll taxes	29 511,779.	276,299.	235,480.	
30	Professional fundraising fees	30			
31	Accounting fees	31 679,565.		679,565.	
32	Legal fees	32 977,402.		977,402.	
33	Supplies	33 184,846.	28,954.	155,892.	
34	Telephone	34 340,895.	92,128.	248,767.	
35	Postage and shipping	35 45,946.	9,093.	36,853.	
36	Occupancy	36 872,190.	274,821.	597,369.	
37	Equipment rental and maintenance	37 51,814.	11,495.	40,319.	
38	Printing and publications	38 92,448.	2,259.	90,189.	
39	Travel	39 954,581.	573,897.	380,684.	
40	Conferences, conventions, and meetings	40 222,803.	131,567.	91,236.	
41	Interest	41			
42	Depreciation, depletion, etc (e STMT 10)	42 766,191.	421,012.	345,179.	
43	Other expenses not covered above (itemize)				
a	STMT 4	43a 29,055,054.	26,587,838.	2,467,216.	
b		43b			
c		43c			
d		43d			
e		43e			
f		43f			
g		43g			
44	<b>Total functional expenses.</b> Add lines 22 through 43 (Organizations completing columns (B)-(D), carry these totals to lines 13-15).	44 48,190,266.	35,222,544.	12,967,722.	

**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  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 the instructions)

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.

<p>What is the organization's primary exempt purpose? <b>SEE STATEMENT 5</b></p> <p>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.)</p>	<p><b>Program Service Expenses</b> (Required for 501(c)(3) and (4) orgs, and 4947(a)(1) trusts, but optional for others.)</p>
<p><b>a</b> <u>SEE STATEMENT 5</u></p> <p>-----</p> <p>-----</p> <p>-----</p> <p>-----</p> <p>(Grants and allocations \$ _____ ) If this amount includes foreign grants, check here <input type="checkbox"/></p>	<p>35,222,544.</p>
<p><b>b</b></p> <p>-----</p> <p>-----</p> <p>-----</p> <p>-----</p> <p>(Grants and allocations \$ _____ ) If this amount includes foreign grants, check here <input type="checkbox"/></p>	
<p><b>c</b></p> <p>-----</p> <p>-----</p> <p>-----</p> <p>-----</p> <p>(Grants and allocations \$ _____ ) If this amount includes foreign grants, check here <input type="checkbox"/></p>	
<p><b>d</b></p> <p>-----</p> <p>-----</p> <p>-----</p> <p>-----</p> <p>(Grants and allocations \$ _____ ) If this amount includes foreign grants, check here <input type="checkbox"/></p>	
<p><b>e</b> Other program services (attach schedule) (Grants and allocations \$ _____ ) If this amount includes foreign grants, check here <input type="checkbox"/></p>	
<p><b>f</b> <b>Total of Program Service Expenses</b> (should equal line 44, column (B), Program services) . . . . . ▶</p>	<p>35,222,544.</p>

**Part IV Balance Sheets** (See the instructions.)

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

		(A) Beginning of year		(B) End of year
<b>Assets</b>	45 Cash - non-interest-bearing		45	
	46 Savings and temporary cash investments	32,701,879.	46	46,009,230.
	47a Accounts receivable	47a		
	b Less allowance for doubtful accounts	47b	47c	
	48a Pledges receivable	48a		
	b Less allowance for doubtful accounts	48b	48c	
	49 Grants receivable	21,824,223.	49	32,588,852.
	50 Receivables from officers, directors, trustees, and key employees (attach schedule)		50	
	51a Other notes and loans receivable (attach schedule)	51a		
	b Less allowance for doubtful accounts	51b	51c	
	52 Inventories for sale or use		52	
	53 Prepaid expenses and deferred charges	222,093.	53	1,469,833.
	54 Investments - securities (attach schedule) STMT 6. <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV	15,185,269.	54	16,805,427.
	55a Investments - land, buildings, and equipment, basis	55a		
	b Less accumulated depreciation (attach schedule)	55b	55c	
56 Investments - other (attach schedule) STMT 7.	569,124.	56	2,141,049.	
57a Land, buildings, and equipment, basis	57a 4,194,762.			
b Less accumulated depreciation (attach schedule) STMT 10	57b 3,147,920.	1,702,467.	57c	1,046,842.
58 Other assets (describe )		58		
59 <b>Total assets</b> (must equal line 74) Add lines 45 through 58	72,205,055.	59	100,061,233.	
<b>Liabilities</b>	60 Accounts payable and accrued expenses	7,002,964.	60	7,209,768.
	61 Grants payable		61	
	62 Deferred revenue	41,090,237.	62	53,789,422.
	63 Loans from officers, directors, trustees, and key employees (attach schedule)		63	
	64a Tax-exempt bond liabilities (attach schedule)		64a	
	b Mortgages and other notes payable (attach schedule)		64b	
	65 Other liabilities (describe )		65	
66 <b>Total liabilities.</b> Add lines 60 through 65	48,093,201.	66	60,999,190.	
<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>			
	67 Unrestricted	24,111,854.	67	39,062,043.
	68 Temporarily restricted		68	
	69 Permanently restricted		69	
	<b>Organizations that do not follow SFAS 117, check here</b> <input type="checkbox"/> <b>and complete lines 70 through 74.</b>			
	70 Capital stock, trust principal, or current funds		70	
	71 Paid-in or capital surplus, or land, building, and equipment fund		71	
	72 Retained earnings, endowment, accumulated income, or other funds		72	
73 <b>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)	24,111,854.	73	39,062,043.	
74 <b>Total liabilities and net assets/fund balances.</b> Add lines 66 and 73	72,205,055.	74	100,061,233.	

**Part IV-A** Reconciliation of Revenue per Audited Financial Statements With Revenue per Return *(See the instructions)*

<b>a</b>	Total revenue, gains, and other support per audited financial statements . . . . .		<b>a</b>	63,140,455.
<b>b</b>	Amounts included on line a but not on Part I, line 12			
<b>1</b>	Net unrealized gains on investments . . . . .	<b>b1</b> -1,447,845.		
<b>2</b>	Donated services and use of facilities . . . . .	<b>b2</b>		
<b>3</b>	Recoveries of prior year grants . . . . .	<b>b3</b>		
<b>4</b>	Other (specify) -----	<b>b4</b>		
	Add lines <b>b1</b> through <b>b4</b> . . . . .		<b>b</b>	-1,447,845.
<b>c</b>	Subtract line b from line a . . . . .		<b>c</b>	64,588,300.
<b>d</b>	Amounts included on Part I, line 12, but not on line a:			
<b>1</b>	Investment expenses not included on Part I, line 6b . . . . .	<b>d1</b>		
<b>2</b>	Other (specify) -----	<b>d2</b>		
	Add lines <b>d1</b> and <b>d2</b> . . . . .		<b>d</b>	
<b>e</b>	<b>Total revenue</b> (Part I, line 12) Add lines <b>c</b> and <b>d</b> . . . . .		<b>e</b>	64,588,300.

**Part IV-B** Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

<b>a</b>	Total expenses and losses per audited financial statements . . . . .		<b>a</b>	48,190,266.
<b>b</b>	Amounts included on line a but not on Part I, line 17			
<b>1</b>	Donated services and use of facilities . . . . .	<b>b1</b>		
<b>2</b>	Prior year adjustments reported on Part I, line 20 . . . . .	<b>b2</b>		
<b>3</b>	Losses reported on Part I, line 20 . . . . .	<b>b3</b>		
<b>4</b>	Other (specify) -----	<b>b4</b>		
	Add lines <b>b1</b> through <b>b4</b> . . . . .		<b>b</b>	
<b>c</b>	Subtract line b from line a . . . . .		<b>c</b>	48,190,266.
<b>d</b>	Amounts included on Part I, line 17, but not on line a:			
<b>1</b>	Investment expenses not included on Part I, line 6b . . . . .	<b>d1</b>		
<b>2</b>	Other (specify) -----	<b>d2</b>		
	Add lines <b>d1</b> and <b>d2</b> . . . . .		<b>d</b>	
<b>e</b>	<b>Total expenses</b> (Part I, line 17) Add lines <b>c</b> and <b>d</b> . . . . .		<b>e</b>	48,190,266.

**Part V** Current Officers, Directors, Trustees, and Key Employees (List each person who was an officer, director, trustee, or key employee at any time during the year even if they were not compensated) *(See 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 plans	(E) Expense account and other allowances
SEE STATEMENTS 10A & 10B		2,653,233.	125,272.	NONE

Part V-A Current Officers, Directors, Trustees, and Key Employees (continued)

75a Enter the total number of officers, directors, and trustees permitted to vote on organization business at board meetings 11
b Are any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, related to each other through family or business relationships? If "Yes," attach a statement that identifies the individuals and explains the relationship(s) STMT 14 75b X
c Do any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, receive compensation from any other organizations, whether tax exempt or taxable, that are related to this organization through common supervision or common control? Note. Related organizations include section 509(a)(3) supporting organizations
If "Yes," attach a statement that identifies the individuals, explains the relationship between this organization and the other organization(s), and describes the compensation arrangements, including amounts paid to each individual by each related organization 75c X
d Does the organization have a written conflict of interest policy? 75d X

Part V-B Former Officers, Directors, Trustees, and Key Employees That Received Compensation or Other Benefits (If any former officer, director, trustee, or key employee received compensation or other benefits (described below) during the year, list that person below and enter the amount of compensation or other benefits in the appropriate column See the instructions )

Table with 5 columns: (A) Name and address, (B) Loans and Advances, (C) Compensation, (D) Contributions to employee benefit plans & deferred compensation plans, (E) Expense account and other allowances. Row 1: SEE STATEMENT 10C, NONE, 1,390,597., 48,108., 53,077.

Part VI Other Information (See the instructions)

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? If "Yes," attach a conformed copy of the changes 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 FUND, LLC 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

Part VI Other Information (continued)

		Yes	No
82 a	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?	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)		
82 b			
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
83 b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	N/A	
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?	N/A	
84 b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	N/A	
85	501(c)(4), (5), or (6) organizations		
a	Were substantially all dues nondeductible by members?	N/A	
85 a			
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? 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	N/A	
85 b			
c	Dues, assessments, and similar amounts from members	N/A	
85 c			
d	Section 162(e) lobbying and political expenditures	N/A	
85 d			
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	N/A	
85 e			
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)	N/A	
85 f			
85 g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	N/A	
85 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?	N/A	
86	501(c)(7) orgs		
a	Initiation fees and capital contributions included on line 12	N/A	
86 a			
b	Gross receipts, included on line 12, for public use of club facilities	N/A	
86 b			
87	501(c)(12) orgs		
a	Gross income from members or shareholders	N/A	
87 a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	N/A	
87 b			
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		X
89 a	501(c)(3) organizations		
	Enter Amount of tax imposed on the organization during the year under section 4911	NONE	
	Enter Amount of tax imposed on the organization during the year under section 4912	NONE	
	Enter Amount of tax imposed on the organization during the year under 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		X
89 b			
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
90 a	List the states with which a copy of this return is filed	CA	
90 b	Number of employees employed in the pay period that includes March 12, 2005 (See instructions)	67	
91 a	The books are in care of	IN-Q-TEL	Telephone no
	Located at	PO BOX 749 ARLINGTON, VA	703-248-3000
			ZIP + 4
			22216
b	At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		X
91 b			
	If "Yes," enter the name of the foreign country		
	See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts		
c	At any time during the calendar year, did the organization maintain an office outside of the United States?		X
91 c			
	If "Yes," enter the name of the foreign country		
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		
			N/A
92			

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

Note: Enter gross amounts unless otherwise indicated

Table with 5 main columns: (A) Business code, (B) Amount, (C) Exclusion code, (D) Amount, (E) Related or exempt function income. Rows include 93 Program service revenue, 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, 98 Net rental income or (loss) from personal property, 99 Other investment income, 100 Gain or (loss) from sales of assets other than inventory, 101 Net income or (loss) from special events, 102 Gross profit or (loss) from sales of inventory, 103 Other revenue, 104 Subtotal, 105 Total.

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 the instructions.)

Table with 2 columns: 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). Entry: N/A.

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See the instructions.)

Table with 5 columns: (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.

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

- (a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?
(b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?

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: [Signature] Date: 2/13/07
Matthew Strottsen, Chief Financial Officer

Paid Preparer's Use Only section containing fields for Preparer's signature, Date (FEB 12 2006), Check if self-employed, Preparer's SSN or PTIN (P00369623), Firm's name (PRICEWATERHOUSECOOPERS LLP), address (1301 K STREET NW SUITE 800W WASHINGTON, DC 20005), EIN (13-4008324), and Phone no (202-414-1000).



**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 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

**2005**

Name of the organization

Employer identification number

IN-Q-TEL, INC.

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
SEE STATEMENT 11		1,677,251.	114,122.	NONE
Total number of other employees paid over \$50,000 . . ▶		60		

**Part II-A 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
SEE STATEMENT 12		2,838,388.
Total number of others receiving over \$50,000 for professional services . . . . . ▶		42

**Part II-B Compensation of the Five Highest Paid Independent Contractors for Other Services**  
(List each contractor who performed services other than professional services, whether individuals or firms. If there are none, enter "None." See page 2 of the instructions.)

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
SEE STATEMENT 13		7,601,947.
Total number of other contractors receiving over \$50,000 for other services . . . . . ▶		48

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

Schedule A (Form 990 or 990-EZ) 2005

<b>Part III Statements About Activities (See page 2 of the instructions.)</b>		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 . 8	X	
b	Lending of money or other extension of credit? . . . . .		X
c	Furnishing of goods, services, or facilities? . . . . . STMT . 9	X	
d	Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? . FORM . 990, . PART . V . . . . .	X	
e	Transfer of any part of its income or assets? . . . . .		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) . . . . .		X
b	Do you have a section 403(b) annuity plan for your employees? . . . . .		X
c	During the year, did the organization receive a contribution of qualified real property interest under section 170(h)? . . . . .		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? . . . . .		X
b	Do you provide credit counseling, debt management, credit repair, or debt negotiation services? . . . . .		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)
- 11 a  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.)
- 11 b  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) Check the box that describes the type of supporting organization:  Type 1  Type 2  Type 3

Provide the following information about the supported organizations (See page 6 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 6 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 columns: Calendar year (or fiscal year beginning in), (a) 2004, (b) 2003, (c) 2002, (d) 2001, (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; 19 Net income from unrelated business activities; 20 Tax revenues levied; 21 Value of services or facilities furnished; 22 Other income; 23 Total of lines 15 through 22; 24 Line 23 minus line 17; 25 Enter 1% of line 23; 26 Organizations described on lines 10 or 11; 27 Organizations described on line 12; 28 Unusual Grants.

**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
<b>29</b> 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? . . . . .	<b>29</b>	
<b>30</b> 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? . . . . .	<b>30</b>	
<b>31</b> 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 ) ----- ----- -----	<b>31</b>	
<b>32</b> Does the organization maintain the following		
<b>a</b> Records indicating the racial composition of the student body, faculty, and administrative staff? . . . . .	<b>32a</b>	
<b>b</b> Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis? . . . . .	<b>32b</b>	
<b>c</b> Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships? . . . . .	<b>32c</b>	
<b>d</b> Copies of all material used by the organization or on its behalf to solicit contributions? . . . . .	<b>32d</b>	
If you answered "No" to any of the above, please explain (If you need more space, attach a separate statement.) ----- -----		
<b>33</b> Does the organization discriminate by race in any way with respect to		
<b>a</b> Students' rights or privileges? . . . . .	<b>33a</b>	
<b>b</b> Admissions policies? . . . . .	<b>33b</b>	
<b>c</b> Employment of faculty or administrative staff? . . . . .	<b>33c</b>	
<b>d</b> Scholarships or other financial assistance? . . . . .	<b>33d</b>	
<b>e</b> Educational policies? . . . . .	<b>33e</b>	
<b>f</b> Use of facilities? . . . . .	<b>33f</b>	
<b>g</b> Athletic programs? . . . . .	<b>33g</b>	
<b>h</b> Other extracurricular activities? . . . . .	<b>33h</b>	
If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.) ----- ----- -----		
<b>34 a</b> Does the organization receive any financial aid or assistance from a governmental agency? . . . . .	<b>34a</b>	
<b>b</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.	<b>34b</b>	
<b>35</b> 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 . . . . .	<b>35</b>	

**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)

		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
36	Total lobbying expenditures to influence public opinion (grassroots lobbying) . . .	36	
37	Total lobbying expenditures to influence a legislative body (direct lobbying) . . .	37	
38	Total lobbying expenditures (add lines 36 and 37) . . . . .	38	
39	Other exempt purpose expenditures . . . . .	39	
40	Total exempt purpose expenditures (add lines 38 and 39) . . . . .	40	
41	Lobbying nontaxable amount Enter the amount from the following table - If the amount on line 40 is - The lobbying nontaxable amount is - Not over \$500,000 . . . . . 20% of the amount on line 40 . . . . . Over \$500,000 but not over \$1,000,000 . . . \$100,000 plus 15% of the excess over \$500,000 Over \$1,000,000 but not over \$1,500,000 . . . \$175,000 plus 10% of the excess over \$1,000,000 Over \$1,500,000 but not over \$17,000,000 . . . \$225,000 plus 5% of the excess over \$1,500,000 Over \$17,000,000 . . . . . \$1,000,000 . . . . .	41	
42	Grassroots nontaxable amount (enter 25% of line 41) . . . . .	42	
43	Subtract line 42 from line 36 Enter -0- if line 42 is more than line 36 . . . . .	43	
44	Subtract line 41 from line 38 Enter -0- if line 41 is more than line 38 . . . . .	44	

**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)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				
	(a) 2005	(b) 2004	(c) 2003	(d) 2002	(e) Total
45	Lobbying nontaxable amount . . . . .				
46	Lobbying ceiling amount (150% of line 45(e)) . . . . .				
47	Total lobbying expenditures				
48	Grassroots nontaxable amount . . . . .				
49	Grassroots ceiling amount (150% of line 48(e)) . . . . .				
50	Grassroots lobbying expenditures . . . . .				

**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.)

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of	Yes	No	Amount
a Volunteers . . . . .			
b Paid staff or management (Include compensation in expenses reported on lines c through h) . . . . .			
c Media advertisements . . . . .			
d Mailings to members, legislators, or the public . . . . .			
e Publications, or published or broadcast statements . . . . .			
f Grants to other organizations for lobbying purposes . . . . .			
g Direct contact with legislators, their staffs, government officials, or a legislative body . . . . .			
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means . . . . .			
i Total lobbying expenditures (Add lines c through h.) . . . . .			

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 12 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
<b>a</b>	Transfers from the reporting organization to a noncharitable exempt organization of:		
(i)	Cash	<b>51a(i)</b>	X
(ii)	Other assets	<b>a(ii)</b>	X
<b>b</b>	Other transactions:		
(i)	Sales or exchanges of assets with a noncharitable exempt organization	<b>b(i)</b>	X
(ii)	Purchases of assets from a noncharitable exempt organization	<b>b(ii)</b>	X
(iii)	Rental of facilities, equipment, or other assets	<b>b(iii)</b>	X
(iv)	Reimbursement arrangements	<b>b(iv)</b>	X
(v)	Loans or loan guarantees	<b>b(v)</b>	X
(vi)	Performance of services or membership or fundraising solicitations	<b>b(vi)</b>	X
<b>c</b>	Sharing of facilities, equipment, mailing lists, other assets, or paid employees	<b>c</b>	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		

## 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 ▶ 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 will cover.

**1** I request an automatic 3-month (6-months for a **Form 990-T corporation**) extension of time until NOVEMBER 15, 20 06 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 05 and ending MARCH 31, 20 06

**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 \$ NONE

**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 \$ NONE

**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.

0603

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

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

- Form 990
- Form 990-BL
- Form 990-EZ
- Form 990-PF
- Form 990-T (sec 401(a) or 408(a) trust)
- Form 990-T (trust other than above)
- Form 1041-A
- Form 4720
- Form 5227
- Form 6069
- Form 8870

**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, 2007
- 5 For calendar year \_\_\_\_\_, or other tax year beginning APRIL 1, 2005, and ending MARCH 31, 2006.
- 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.

NOV 15 2006

ENVELOPE MARK DATE

a 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 11506 \$ 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

**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

**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, true, correct, and complete, and that I am authorized to prepare this form

Signature [Signature] Title **TAX DIRECTOR** Date **11/15/06**

**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 7 APPROVED 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 \_\_\_\_\_
- EXTENSION APPROVED**  
**DEC 04 2006**

Director \_\_\_\_\_ By \_\_\_\_\_ FIELD DIRECTOR, SUBMISSION PROCESSING, OGDEN 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.

Type or print	Name PRICWATERHOUSECOOPERS, LLP. ATTN: EUGENIA RICHARDSON	RECEIVED DEC 01 2006 OGDEN UT IRS-OSC
	Number and street (include suite, room, or apt. no.) or a P.O. box number 1301 K STREET NW, SUITE 800W	
	City or town, province or state, and country (including postal or ZIP code) WASHINGTON, DC 20005-3333	



FORM 990, PART I - OTHER INVESTMENT INCOME

=====

DESCRIPTION

-----

AMOUNT

-----

GAIN ON EQUITY INVESTMENT IN IN-Q-TEL  
EMPLOYEE FUND, LLC

214,499.

TOTAL

-----  
214,499.  
=====

In-Q-Tel, Inc.

52-2149962

FOR THE TAX YEAR ENDED MARCH 31, 2006

FORM 990, PART IV, LINES 46 & 62

FOR THE REPORTING PERIOD ENDING MARCH 31, 2006, 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 \$ 1,064,602 WAS RECEIVED DURING THE REPORTING PERIOD AND HAS BEEN INCLUDED AS DEFERRED REVENUE ON THE BALANCE SHEET.

FORM 990, PART I - OTHER DECREASES IN FUND BALANCES  
=====

DESCRIPTION -----	AMOUNT -----
UNREALIZED LOSS ON INVESTMENTS	1,447,845.
TOTAL	----- 1,447,845. =====

IN-Q-TEL, INC.

52-2149962

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

Security Name	Cost	Sale Proceeds (1)	Realized Gain / (Loss)
Intelligence	\$ 470,864	\$ 498,156	\$ 27,292
DeCru	686,765	2,763,362	2,076,597
Stratify	11	-	(11)
Northern Light	69,638	-	(69,638)
Soflinx	-	210,501	210,501
Iatroquest	17,998	-	(17,998)
Ionatron	31,516	2,542,374	2,510,858
Visual Sciences	-	968,462	968,462
Gemicer	299	-	(299)
@Last	662,564	3,092,138	2,429,574
Google	20,919	1,893,279	1,872,360
<b>Total</b>	<b>\$ 1,960,574</b>	<b>\$ 11,968,272</b>	<b>\$ 10,007,698</b>

(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 II, Line 25 - Officer Compensation Schedule

Name & Address	Title & Average Hours Per Week Devoted to Position	Total Comp	Program Service	Mgmt & General	Total Benefits	Program Service	Mgmt & General	Total Expenses	Program Service	Mgmt & General	
<b>Current Officers, Directors, Trustees and Key Employees</b>											
S Yancey c/o In-Q-Tel, Inc PO Box 749 Arlington VA 22216	Senior Executive Officer, CFO & Treasurer 40 Hrs/Wk	572,298	-	572,298	25,914	-	25,914	-	-	-	
B Adams c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	General Counsel, Secretary 40 Hrs/Wk	475,810	-	475,810	24,308	-	24,308	-	-	-	
J Dorman c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Executive Vice President Mission 40 Hrs/Wk	532,516	532,516	-	26,418	26,418	-	-	-	-	
E Kaufmann c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Senior Vice President 40 Hrs/Wk	422,838	422,838	-	23,109	23,109	-	-	-	-	
N Kaplan c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Corporate Vice President 40 Hrs/Wk	334,771	-	334,771	25,524	-	25,524	-	-	-	
L Aull c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Chairman of the Board of Trustees & Committee Chair Up to 150 Hrs/Quarter	40,000	-	40,000	-	-	-	-	-	-	
P Kaminski c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Trustee Up to 150 Hrs/Quarter	35,000	-	35,000	-	-	-	-	-	-	
N Augustine c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Trustee & Committee Chair Up to 150 Hrs/Quarter	-	-	-	-	-	-	-	-	-	
J Kim c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Trustee Up to 150 Hrs/Quarter	-	-	-	-	-	-	-	-	-	
M Crow c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Vice-Chairman of the Board of Trustees & Committee Chair Up to 150 Hrs/Quarter	42,500	-	42,500	-	-	-	-	-	-	
J Seely Brown c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Trustee Up to 150 Hrs/Quarter	35,000	-	35,000	-	-	-	-	-	-	

Form 990, Part II, Line 25 - Officer Compensation Schedule (continued)

Name & Address	Title & Average Hours Per Week Devoted to Position	Total Comp	Program Service	Mgmt & General	Total Benefits	Program Service	Mgmt & General	Total Expenses	Program Service	Mgmt & General	
J Barksdale c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Trustee Up to 150 Hrs/Quarter	43,750	-	43,750	-	-	-	-	-	-	
D Jeremiah c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Trustee Up to 150 Hrs/Quarter	35,000	-	35,000	-	-	-	-	-	-	
A Jones c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Trustee & Committee Chair Up to 150 Hrs/Quarter	37,500	-	37,500	-	-	-	-	-	-	
C Vest c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Trustee Up to 150 Hrs/Quarter	8,750	-	8,750	-	-	-	-	-	-	
H Cox c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Trustee & Committee Chair Up to 150 Hrs/Quarter	37,500	-	37,500	-	-	-	-	-	-	
<b>Former Officers, Directors, Trustees and Key Employees</b>											
G Louie c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Former President & CEO	838,515	-	838,515	27,464	-	27,464	53,077	-	53,077	
S Mendel c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Former Managing Director	517,082	517,082	-	20,645	20,645	-	-	-	-	
R Kerr c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Former Trustee	8,750	-	8,750	-	-	-	-	-	-	
W Perry c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Former Trustee	26,250	-	26,250	-	-	-	-	-	-	
<b>Total</b>		<b>4,043,830</b>	<b>1,472,436</b>	<b>2,571,394</b>	<b>173,381</b>	<b>70,172</b>	<b>103,209</b>	<b>53,077</b>	<b>-</b>	<b>53,077</b>	

FORM 990, PART II - OTHER EXPENSES

DESCRIPTION	TOTAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL
DUES AND SUBSCRIPTIONS	53,857.	14,347.	39,510.
PROFESSIONAL FEES	1,184,011.	15,139.	1,168,872.
RECRUITING, HR, PLACEMENT FEES	210,581.	25.	210,556.
INSURANCE	428,882.		428,882.
MISCELLANEOUS	5,838.		5,838.
TEMPORARY HELP	35,672.	35,672.	
LICENSES AND PERMITS	77,075.	80.	76,995.
RESEARCH MATERIALS	138,650.	114,421.	24,229.
WORK PROGRAMS FOR CUSTOMERS	26,427,476.	26,319,083.	108,393.
EQUIPMENT EXPENSE	515,485.	89,071.	426,414.
MOVE & EQUIPMENT	-22,473.		-22,473.
TOTALS	29,055,054.	26,587,838.	2,467,216.

**Form 990, Part III, Statement of Program Service Accomplishments**

In-Q-Tel was established in 1999 as an independent, private and not-for-profit company to help the CIA and the greater US Intelligence Community (IC) identify, acquire, and deploy cutting-edge technologies that meet present and future intelligence needs. In-Q-Tel's open and entrepreneurial investment 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 is 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 strategic investment 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:**

Equity investments and work programs 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 March 31, 2006 include the following:

- 1 Delivered more than **120** 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 more than **90** commercial companies, most of which were previously unknown to the government, and more than **11** universities and research labs, which In-Q-Tel identified through its commercial and academic outreach programs and by reviewing more than **5,600** 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)

In addition we participate in periodic reviews by the Inspector General's Office and the U.S. Senate Select Committee on Intelligence to assess the effectiveness of technology solutions from our investments in solving challenging problems in the Intelligence Community.

FORM 990, PART IV - INVESTMENTS - SECURITIES  
=====

DESCRIPTION -----	ENDING BOOK VALUE -----
PREFERRED STOCK	6,448,681.
COMMON STOCK	88,158.
WARRANTS - PREFERRED	10,189,802.
WARRANTS - COMMON	78,786.
	-----
TOTALS	16,805,427.
	=====

FORM 990, PART IV - INVESTMENTS - OTHER

=====

DESCRIPTION	ENDING BOOK VALUE
-----	-----
INVESTMENT IN IN-Q-TEL EMPLOYEE FUND, LLC	800,192.
CONVERTIBLE NOTE	1,340,857.
TOTALS	----- 2,141,049. =====

SCHEDULE A, PART III - EXPLANATION FOR LINE 2A

=====

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

SCHEDULE A, PART III - EXPLANATION FOR LINE 2C

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

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

Computer Equipment	1,962,191
Furniture + Fixtures	564,776
Leasehold Improvements	942,418
Office Equipment	<u>725,377</u>
TOTAL	4,194,762
LESS: ACCUMULATED DEPRECIATION	<u>(3,147,920)</u>
	<u>1,046,842</u>
DEPRECIATION EXPENSE	<u>766,191</u>

Form 990, Part V-A List of Current Officers, Directors, Trustees and Key Employees

Name and Address	Title and average hours per week devoted to position	Compensation					Total	Contributions to employee benefit plans & deferred compensation	Expense account and other allowances
		Wages	Bonus	Employee Investment Program (1)	Trustee Fees (2)				
S Yancey c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Senior Executive Officer, CFO & Treasurer 40 Hrs/Wk	307,084	171,067	94,147	-	-	572,298	25,914	-
B Adams c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	General Counsel, Secretary 40 Hrs/Wk	250,559	140,110	85,141	-	-	475,810	24,308	-
J Dorman c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Executive Vice President, Mission 40 Hrs/Wk	284,985	151,468	96,063	-	-	532,516	26,418	-
E Kaufmann c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Senior Vice President 40 Hrs/Wk	248,260	87,648	86,930	-	-	422,838	23,109	-
N Kaplan c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Corporate Vice President 40 Hrs/Wk	193,962	67,831	72,978	-	-	334,771	25,524	-

(1) See Statement 10B (Employee Investment Program)

(2) See Statement 10B (Board of Trustees Compensation)

Form 990 Part V-A List Current Officers, Directors, Trustees and Key Employees - (continued)

Name and Address	Title and average hours per week devoted to position	Compensation				Total	Contributions to employee benefit plans & deferred compensation	Expense account and other allowances
		Wages	Bonus	Employee Investment Program (1)	Trustee Fees (2)			
L. Ault c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Chairman of the Board of Trustees & Committee Chair Up to 150 Hrs/Quarter	-	-	-	40,000	40,000	-	-
P. Kaminski c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Trustee Up to 150 Hrs/Quarter	-	-	-	35,000	35,000	-	-
N. Augustine c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Trustee & Committee Chair Up to 150 Hrs/Quarter	-	-	-	-	-	-	-
J. Kim c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Trustee Up to 150 Hrs/Quarter	-	-	-	-	-	-	-
M. Crow c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Vice-Chairman of the Board of Trustees & Committee Chair Up to 150 Hrs/Quarter	-	-	-	42,500	42,500	-	-
J. Seely Brown c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Trustee Up to 150 Hrs/Quarter	-	-	-	35,000	35,000	-	-
J. Barksdale c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Trustee Up to 150 Hrs/Quarter	-	-	-	43,750	43,750	-	-
D. Jeremiah c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Trustee Up to 150 Hrs/Quarter	-	-	-	35,000	35,000	-	-
A. Jones c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Trustee & Committee Chair Up to 150 Hrs/Quarter	-	-	-	37,500	37,500	-	-
C. Vest c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Trustee Up to 150 Hrs/Quarter	-	-	-	8,750	8,750	-	-
H. Cox c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Trustee & Committee Chair Up to 150 Hrs/Quarter	-	-	-	37,500	37,500	-	-
Total		1,284,849	618,124	435,260	315,000	2,653,233	125,272	-

(1) See Statement 10B (Employee Investment Program)

(2) See Statement 10B (Board of Trustees Compensation)



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

In-Q-Tel's mission is 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 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 Investment Program (EIP)***

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 corporation (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.

**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.

Form 990 Part V-B List of Former Officers, Directors, Trustees and Key Employees

Name and Address	Compensation							Contributions to employee benefit plans & deferred compensation	Expense account and other allowances (4)
	Wages	Other	Bonus	Employee Investment Program (1)	Trustee Fees (2)	Total	Contribution Directed towards Charity(3)		
G. Louie Former President & CEO c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	395,655	53,077	278,015	111,768	-	838,515	(71,868)	27,464	53,077
S. Mendel Former Managing Director c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	266,226	-	176,272	74,584	-	517,082	-	20,645	-
R. Kerr Former Trustee c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	-	-	-	-	8,750	8,750	-	-	-
W. Perry Former Trustee c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	-	-	-	-	26,250	26,250	-	-	-
<b>Total</b>	<b>661,882</b>	<b>53,077</b>	<b>454,287</b>	<b>186,351</b>	<b>35,000</b>	<b>1,390,597</b>	<b>(71,868)</b>	<b>48,108</b>	<b>53,077</b>

(1) See Statement 10B (Employee Investment Program)

(2) See Statement 10B (Board of Trustees Compensation)

(3) Mr. Louie donated his interest in the Employee Investment Program to the CIA's Officers Memorial Foundation, a public charity recognized as tax-exempt

(4) Living expenses paid by In-Q-Tel incurred in support of In-Q-Tel's bi-coastal operations are considered taxable compensation

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			Total	Contributions to employee benefit plans & deferred compensation	Expense account and other allowances
		Wages	Bonus	Employee Investment Program (1)			
K von Eckartsberg c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Vice President 40 Hrs/Wk	206,851	73,526	70,610	350,987	24,430	-
J Addiego c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Vice President 40 Hrs/Wk	192,076	64,567	74,512	331,155	23,016	-
C Wallace c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Vice President 40 Hrs/Wk	211,149	61,183	74,165	346,497	24,286	-
T Pearsall c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Senior Vice President 40 Hrs/Wk	193,307	37,467	65,233	296,007	24,590	-
C Coteil c/o In-Q-Tel, Inc PO Box 749 Arlington, VA 22216	Vice President 40 Hrs/Wk	213,383	68,612	70,610	352,605	17,801	-
	Total	1,016,766	305,355	355,130	1,677,251	114,122	-

(1) See Statement 10B (Employee Investment Program)

**Five Highest Paid Independent Contractors for Professional Services  
 For the Tax Year Ending March 31, 2006  
 Reference: Schedule A Part II-B**

**STATEMENT 12  
 52-2149962**

Name	Address	Service	Amount
Multi Threaded	Herndon, VA	Consulting Services	\$1,102,411
Arnold & Porter, LLP	Washington, DC	Legal Services	\$622,355
Sher Security, LLC	Round Hill, VA	Security Services	\$384,124
PriceWaterhouseCoopers, LLP	Washington, DC	Accounting Services	\$367,300
LMN Solutions, Inc.	Oak Hill, VA	Consulting Services	\$362,198
<b>Total</b>			<b><u>\$2,838,388</u></b>

**Five Highest Paid Independent Contractors for other Services  
 For the Tax Year Ending March 31, 2006  
 Reference: Schedule A Part II-A**

**STATEMENT 13  
 52-2149962**

Name	Address	Service	Amount
Destineer	Plymouth, MN	Technology development	\$1,873,150
iMove, Inc.	Portland, OR	Technology development	\$1,698,304
Nanosys, Inc.	Palo Alto, CA	Technology development	\$1,400,000
Visual Sciences	McLean, VA	Technology development	\$1,361,304
Basis Technology	Cambridge, MA	Technology development	<u>\$1,269,190</u>
<b>Total</b>			<b><u>\$7,601,947</u></b>

**Form 990, Part V-A, Line 75b:**

During the Reporting Period, the spouse of an In-Q-Tel employee was employed by an In-Q-Tel contractor listed on the Form 990. In accordance with In-Q-Tel policies, the In-Q-Tel employee was subject to recusal with respect to participation in decisions with respect to the In-Q-Tel contractor

During the Reporting Period, at least one of In-Q-Tel's professional service contractors provided professional services to at least one of In-Q-Tel's other contractors listed on the Schedule A to Form 990

During the Reporting Period, certain In-Q-Tel Trustees, or their spouses, may have served together on boards or panels of national professional, academic or government-related organizations or bodies. The boards and panels were unrelated to In-Q-Tel matters.