

[Lee Fang](#)

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Illustration: The Intercept

Top leadership for Central Intelligence Agency's venture capital arm, In-Q-Tel, have quietly launched a separate "blank check" fund that stands to fuel astronomical fortunes for former intelligence officials.

In-Q-Tel, which receives funding and directions from the CIA, was founded by the CIA in the late '90s to spur private sector innovation with the goal of bringing the latest technology to market to fuel America's covert national security operations. Now, its chief executive and president are taking advantage of the latest stock market fad to create financial windfall for themselves and a small set of former national security officials.

In November, a "special purpose acquisition company," or SPAC, called Chain Bridge I [filed](#) for an initial public offering designed to raise \$200 million. The fund, which had little fanfare, was formed by In-Q-Tel's senior leadership along with a team of retired CIA leaders and technology investors.

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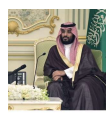
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SPACs, which have surged in popularity over the last two years, are referred to as “blank check” funds because they allow investors to pool capital in a publicly traded fund, with no underlying assets or business model, for the sole purpose of acquiring a private company. In response to the wave of inadequate disclosure and fraud in the market, the SEC has proposed [new rules](#) governing SPACs.

Chain Bridge I is still seeking to acquire a defense contractor that is, according to the firm’s annual report, “poised to benefit” from government spending on national security.

“This is a case of the revolving door on steroids — not just using connections with former government colleagues on behalf of corporate interests, but setting up an entirely new corporate entity that trades on those ties to earn them a huge potential payoff,” said William Hartung, a senior research fellow at the Quincy Institute.

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The blank check fund is clear that it hopes to raise hundreds of millions of dollars by leveraging its relationships with government decision-makers. The SPAC’s [10-K disclosure](#) states that it will seek to acquire a national security technology company that is “poised to benefit from billions of dollars in defense spending in the near-term.”

“We intend to identify businesses with emerging technologies that will advance the DoD’s strategy as well as the broader interests of the United States in a period of increasing geopolitical instability,” the disclosure further notes, referencing the Department of Defense.

Chain Bridge I is the creation of the Chain Bridge Group, a Cayman Islands-registered investment fund led by In-Q-Tel CEO Christopher Darby, In-Q-Tel President Stephen Bowsher, and Michael Rolnick, a technology investor who previously advised billionaire Michael Bloomberg’s presidential campaign. Darby, while helming the CIA’s venture capital fund, serves as chair of the SPAC and its largest investor. Darby’s Chain Bridge Group, with a 16.21 percent stake, is the largest shareholder of Chain Bridge I.

The SPAC board features former intelligence officials, such as Michael Morell, the former deputy director of the CIA; Jeremy Bash, a former chief of staff to the director of the CIA; and Alex Younger, a retired career British intelligence officer. Other board members include Edward Sanderson Jr., a former chair of SAIC, a major intelligence contractor, and Nathaniel Fick, general manager of the intelligence contractor Elastic and the former head of the Center for a New American Security, the defense think tank in Washington, D.C.

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In-Q-Tel told The Intercept it approved the SPAC's creation. "IQT's Board of Trustees assessed and approved this activity for Mr. Darby in advance as a non-IQT activity, subject to conditions to ensure that IQT interests were appropriately protected," said Carrie Sessine, senior vice president of marketing and communications, in an email. "This included maintaining separation with regards to potential conflicts. The Board also maintains appropriate oversight through review and reporting." The Chain Bridge Group did not respond to a request for comment.

The high-level backgrounds of Chain Bridge I echo another [controversial SPAC](#) with elite former government officials, Pine Island Acquisition Corp., a fund formerly led by Tony Blinken and Lloyd Austin. Blinken and Austin left the fund shortly before being confirmed as the secretary of state and defense secretary under President Joe Biden.

Chain Bridge I's statement advertises its board as a "competitive advantage" with careers "working with emerging national security and technology companies" and "strategic deal-making in the national security, technology and telecommunications sectors."

In-Q-Tel, first chartered by the CIA in 1999, exists to "exploit and develop new and emerging information technologies and pursue R&D that produce innovative solutions to the most difficult problems facing the CIA and Intelligence Community."

Operating as an early stage venture capital fund and as a formal link between the CIA and Silicon Valley's innovators, In-Q-Tel invests in startups developing cutting-edge technology that can be deployed for intelligence agency purposes. In-Q-Tel backed Keyhole, a geospatial data company – technology that formed the foundation for Google Earth. Geofeedia and PATHAR, two In-Q-Tel backed startups, have been widely used by law enforcement to [mine Instagram, Twitter, and other social media networks](#) to track protests and potential criminal activity. As The Intercept reported, In-Q-Tel also quietly backed a [skincare company](#) that developed a painless method for removing the outer layer of skin, a technique for obtaining unique biomarkers, including potential DNA collection.

In addition to a budget provided by the Department of Defense and CIA, In-Q-Tel earns revenue by selling equity of startups it acquires. Its recent portfolio includes firms involved in social media surveillance, artificial intelligence, and autonomous drones.

The number of SPACS launched per year surged to 248 in 2020, more than 10 times the annual average for the decade prior, as frenzied investors took advantage of the early pandemic market boom and the surge of retail investors. The following year, a record 623 SPACs began trading.

SPACs also pose a significant risk of fraud; following the skyrocketing growth of the model has been a lengthy list of investor lawsuits and companies that failed to deliver on their promises.

Azkazoo, a music streaming service that went public through a SPAC acquisition, claimed that it had 38.2 million registered users, 4.6 million paying subscribers, and over \$120 million in revenue, according to the Securities and Exchange Commission. In fact, the company had no users or revenue. The firm reached a \$38.8 million settlement with the SEC.

Nikola Corporation, an electric truck company that was once a darling of the SPAC acquisition model as its stock catapulted in value in 2020, agreed in December to a \$125 million settlement over claims that the company misled investors about its technology. The stock now trades at slightly below \$7 a share, nearly a tenth of the value of its peak two years ago.

SPACs also pose distinct risks for outside investors because sponsors are able to acquire equity for free or at deep discounts. In many [SPAC deals](#), sponsors have been able to walk away with profit even with a sinking stock price. In other words, the potential for fraud is higher because the risk carried by bad bets is often weighted greater on regular investors than wealthy SPAC sponsors.

“Conflict of interest doesn’t begin to capture the level of influence peddling potentially involved in this deal,” said Hartung.

Update: May 5, 2022, 3:00 p.m.

This article was updated with a statement from In-Q-Tel.

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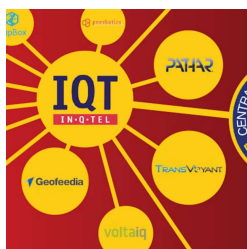
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