

THE IONATRON BOMB

Written by Christopher Byron, New York Post (May 9th, 2005)

RIPPLES continue to spread from recent revelations in this space concerning the Central Intelligence Agency's baroque fascination with the penny stock market.

Last week an array of disturbing new documents surfaced regarding the formation three years ago of one such CIA darling — a Nasdaq Stock Market-listed defense contractor called Ionatron Inc.

Taken in their entirety, the documents show the alarming ease with which a well-known stock market offender named Robert Howard was able to penetrate the inner sanctums of classified weapons research in the Missile Systems Division of Raytheon Co., one of America's leading defense contractors.

Other documents — on file with the Securities and Exchange Commission — show that once having done so, Howard, operating out of an office on East 57th Street, was able to hire away two of Raytheon's top project managers, then use them as bait to attract funding from the CIA, and after that, to reel in more than \$11 million in weapons development spending from the Pentagon, as well.

Much of Ionatron's support at the Pentagon is now coming from the office of J. David Patterson, Special Assistant to the Deputy Secretary of Defense, who last month helped NBC Nightly News prepare a soft news feature in which Ionatron was expected to play a starring role concerning "directed energy" weapons research.

The NBC segment aired last week on the eve of a new round of budget talks in Congress. But when the segment failed to mention Ionatron, the company issued a press release the next morning falsely implying that NBC had aired comments of a Pentagon official who had endorsed Ionatron by name, which had not happened.

Stunts like that have helped the shares of this Tucson-based outfit soar more than 1,100 per cent in the last year — to a mid-March high of more than \$10 per share. But accumulating evidence now suggests that at least some of the technology that Ionatron claims to possess may actually belong either to Waltham, Mass.-based Raytheon Co., which has been conducting its own government-funded "directed energy" weapons research for years, or to a small California tech company rival called HSV Technologies, Inc., or perhaps to both.

A review of e-mails, nondisclosure agreements, board memos, letters and other similar documents, all supplied by officials at HSV Technologies, appear to support the assertion of HSV's president, Peter Schlesinger, that he and his board were hoodwinked by a Raytheon official named Joseph Hayden.

Specifically, Schlesinger claims that in early 2002 he was approached by Hayden with what purported to be an officially authorized partnership and licensing offer from

Raytheon Co. — contingent, of course, on Raytheon first being permitted to review HSV's own directed energy research efforts.

Three separate meetings followed between the Raytheon officials and Schlesinger's people, with one of the meetings being attended by a man who handed out a business card from the Department of Energy's "Office of Intelligence," but then added that he was actually employed by, and on loan from, the CIA.

At these meetings Schlesinger says he and his colleagues provided the Raytheon people with an array of patented, confidential information regarding HSV's own directed energy development work.

Unfortunately, says Schlesinger, at the third and final meeting of the two groups, which took place on May 31, 2002, at a Raytheon missile defense facility in San Diego, Calif., the HSV officials discovered that Hayden had apparently been secretly passing their information along to an outsider, in violation of the nondisclosure agreement that Hayden had signed with HSV. The recipient: twice-fined Wall Streeter Howard.

Schlesinger says the revelation came when Howard unexpectedly entered the conference room, seemingly fully briefed on all that the HSV people had previously shared with Raytheon, and was introduced by Hayden as a "person who does much R&D [research and development] funding for Raytheon."

At that point, Howard took over the meeting, and according to notes taken by HSV's treasurer, David Kauppinen, began sounding as if he were actually in charge of the meeting.

In that role Howard promptly pronounced the HSV patents "worthless," and declared that as a result, he and Raytheon were thus prepared to pay only a "token amount" to obtain them.

According to Kauppinen's notes, the meeting ended with Hayden and Howard pressing for an answer by the following Monday when, they said, some sort of "management meeting" involving Raytheon and Howard was scheduled to take place.

Reached for comment on the matter last week, Hayden would say only that he cannot comment on Howard's presence at the meeting because he is bound by a confidentiality promise he had signed before leaving Raytheon to go to work for Ionatron and Howard.

Hayden did say, however, that Howard was definitely at the meeting under an agreement with Raytheon, and that Howard has the paperwork to prove it and that he [Hayden] would immediately phone him to urge that he answer any questions on the issue. Howard himself failed to return a subsequent phone call on the matter for this column.

As for Howard's status regarding HSV Technologies, a spokesman for Raytheon's Missile Systems Division in Tucson last week said that a search of corporate records has so far produced no evidence that Howard has ever been employed by, or used as a consultant for, Raytheon — in the missile division or anywhere else for that matter.

And as for that so-called "management meeting" that was supposedly scheduled for the following Monday, June 3, 2002, between Howard and Raytheon, the actual Big Event of the day involved something else entirely: The incorporation in Delaware of Ionatron itself, a company controlled by Howard and soon to become the employer of both Hayden and a second Raytheon official named Stephen McCahon, both having been enticed aboard with equal-sized 6.2 million share blocks of Ionatron stock — blocks that were last week worth roughly \$47 million apiece.

A cynic might shrug and say that things like this happen all the time in business, so what's the big deal? After all, if the people at HSV Technologies think they were defrauded, then they can hire a lawyer and file a lawsuit.

But this situation is different. It is different because it involves the nation's fifth-largest defense contractor, on which we annually lavish more than \$8 billion in defense spending, and in which we entrust some of our deepest and most vital defense secrets, from the guidance systems of Sidewinder missiles, to the capabilities of our deep space intelligence satellites. And on that basis alone, the public as a whole has an interest in what went on here.

What's more, while the country was running around in the aftermath of 9/11, pulling on rubber gloves and wriggling into wetsuits to open the mail, the folks at Raytheon somehow failed to notice a Wall Street investor with nearly \$3 million worth of SEC fines clanking behind him like the chains of Jacob Marley's ghost, had begun wandering the halls of its Missile Systems Division with a new stock scheme.

And because his handiwork has now acquired the fingerprints of the CIA and its whacko scheme to spy on Wall Street, the whole affair is already fading to black behind a false scrim of national security.

People, it is simple: In this way, and in the fullness of time, freedom dies.

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REFERENCES



HSV Technologies: <http://www.hsvt.org>
Ionatron, Inc: <http://www.ionatron.com>

Story URL: <https://www.nypost.com/business/43772.htm>