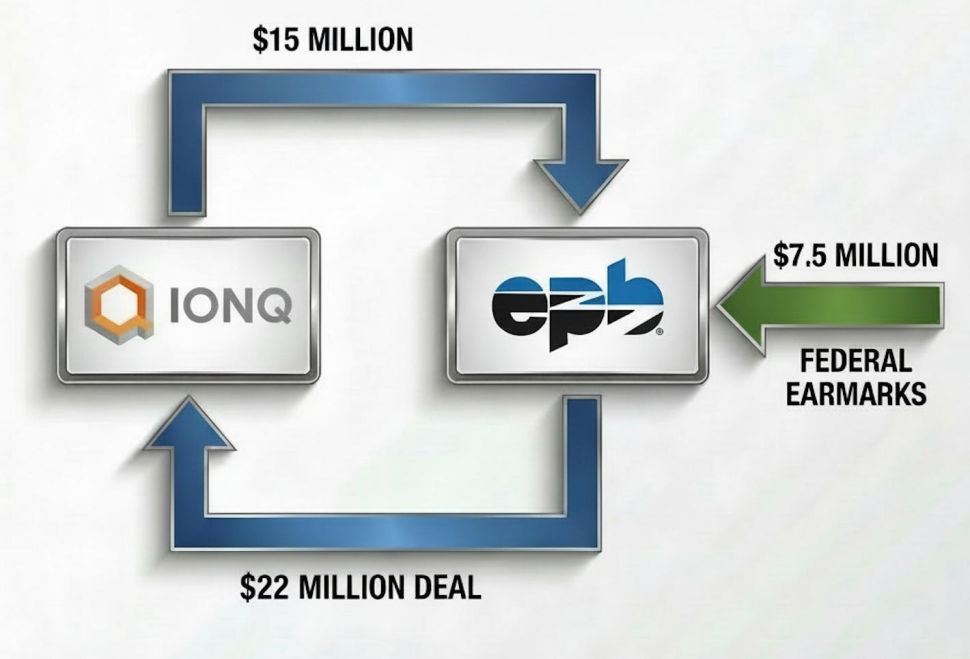
Report Date: 2/04/2026
Company: IonQ Inc
Ticker: IONQ
Industry: Quantum
Stock Price (USD): $38.47
Market Cap (USD, Millions): $13,629

WOLFPACK RESEARCH

IONQ HAS LOST FUNDING FOR VITAL PENTAGON CONTRACTS THAT HAD REPRESENTED UP TO 86% OF REVENUES

- We are short IONQ because our investigation reveals IONQ lost its funding for vital Pentagon contracts that provided up to 86% percent[1] of IONQ's revenues from 2022-2024, leaving a $54.6 million black hole in its expected quantum computing revenues. Critically, the validation that these contracts represented for IONQ's technology, propelling their valuation sky-high, turns out to have been an illusion; the Pentagon never requested funding for these contracts, instead the Pentagon was directed to make them via secretive "backdoor earmarks"[2] by politicians friendly to IONQ who are now out of power. In the bipartisan FY 2026 budget, funding for their largest Pentagon contract is, for the second consecutive year, completely gone.[3] IONQ's management has never publicly discussed its loss of funding for its key Pentagon contracts, instead they have backfilled the missing revenues by acquiring subpar non-quantum computing companies, all while diluting investors and dumping enormous amounts of stock.
- We can reveal that only $21 million of its supposed $75.6 million in Pentagon contracts booked in 2024 (supposedly representing a record level of support from the Pentagon), was funded in FY 2025, leaving a $54.6 million black hole in its bookings.[4] The ex-CEO and then-Executive Chair, Peter Chapman, who had won and touted these contracts, resigned his CEO position on February 26th, 2025, effective immediately. By March 5th, the new CEO de Masi had ominously got rid of bookings altogether and was trying to justify this decision to analysts by claiming bookings were unnecessary because IONQ was making "nine figures."[5] He initiated a new strategy of backfilling the missing revenues with acquisitions and misdirecting when analysts asked him about the Pentagon contracts[6] and sold $104 million of his own stock.
- We found that IONQ definitively lost its funding for its most consequential contracts with the Pentagon on March 11th-14th when the FY 2025 budget was passed (see section II) but our research shows IONQ's loss of funding did not enter the public record until March 19th *at the earliest*.[7] On March 11th, the day the House passed its budget, Chapman sold $37.5 million in his *first-ever* discretionary sale.[8] By the end of March 14th, when the Senate approved the FY 2025 budget, eight IONQ insiders had sold or authorized the sale of $396.6 million in stock with newly created 10b5-1 plans.[9] It is up to the authorities to decide whether an investigation is warranted (selling stock or creating a 10b5-1 plan while in possession of material nonpublic information could indicate insider trading, a felony)[10] but we think the facts and timing are ugly and raise important questions. Did a Washington insider—such as one of the lobbyists they paid $3 million, or a lawmaker—tip off management that their funds had been cut before it was in the public record, or was the timing an extraordinary coincidence?[11]

- We believe IONQ engaged in some serious shenanigans to create the appearance of a large quantum computing sale in April with their supposed $22 million deal to build a quantum innovation center with EPB Chattanooga.[12] Management described this as a *sale* in their earnings calls, [13] but did not tell investors that they *themselves* fronted $15 million for the project as reported by a local news source (without any disclosure we cannot tell if this was financing or roundtripping). Management also omitted the fact EPB's local funding partners received $7.5 million in two earmarks for this project, underscoring how little commercial interest there is in IONQ's products. [14] We calculate this $22 million sale may have accounted for 50% of IONQ's core quantum computing revenues through Q3 in 2025.[15]



- The new CEO de Masi has also tried to backfill IONQ's lost money from the Pentagon by rolling up a motley assortment of non-quantum computing companies. These include 1) ID Quantique ("IDQ," it uses quantum physics to create shared encryption keys), 2) Capella (a satellite imagery company), 3) Vector Atomics (an atomic clock maker), and 4) proposed acquisition of SkyWater Technologies (SKYT) (a semiconductor foundry). Who is really holding the bag here now that the Pentagon is out? It looks like retail, who now get to pay in cash and dilution for loss generating businesses (cash flows from operations went from negative $33 million in Q4 2024 to negative $123.1 million for Q3 2025).
- The market's negative reaction to IONQ's deal to acquire SKYT shows how uneasy it is with the implications of IONQ's pivot to rolling up subpar non-quantum computing businesses, in our view. If IONQ was really making terrific progress developing and commercializing a quantum computer, then why are they rolling up all these random businesses? Who does IONQ think they are fooling?

- The purchase of SKYT is particularly puzzling and shatters the idea IONQ is a quantum pure play.[16] IONQ opened a manufacturing and R&D facility in Washington in 2024.[17] Yet management is selling this as vertical integration, but IONQ does not even have a business to vertically integrate yet! SKYT appears to be another business that relies on backdoor earmarks for funding, supplementing its razor-thin margins with government grants (TTM operating income was just $3.1 million on TTM revenues of $346.6 million). In fact, they used to have the same lobbyist (though that relationship ended with a dispute over fees that went to federal court).[18] However, unlike IONQ, SKYT's earmark was funded in the latest budget for $34.2 million. We suspect IONQ is salivating over the prospect of announcing this as some sort of new collaboration between themselves and the Pentagon.
- When we look at the revenues generated by the three revenue generating businesses IONQ has already acquired, Vector Atomics, IDQ, and Capella, we calculate that these inorganic acquisitions could account for at least ~$37 million of the $42-48 million in revenues IONQ has told analysts to expect in Q4 2025.[19] And we expect these non-quantum computing companies to generate $160-$180 million in 2026. SKYT's revenues for its semi-conducting business will likely make up the majority of revenues. IONQ's quantum revenues? We estimate $12.5 million from Qubitekk's renewed backdoor earmark could be the only token source of quantum computing revenues this year.[20]
- We believe IONQ's purchase of Qubitekk on December 27th, 2024, was primarily used to inflate bookings and create the false appearance of ongoing government support for IONQ. Qubitekk received an $8.9 million contract from an arm of the Pentagon called the Air Force Research Lab (AFRL) on December 20th, 2024, although this contract contained an unfunded ceiling to potentially increase its value to $21.1 million. This too, was the product of a backdoor earmark. On December 27th, 2024, IONQ purchased Qubitekk Federal, LLC (Qubitekk) for $22 million. On January 5th, IONQ announced its purchase of Qubitekk, then announced on January 13th that *IONQ itself* had won the federal contract valued at $21.1 million. This $21.1 million number was reported in its Q4 2024 earnings release as part of its bookings, even though only $8.9 million was funded at the time. Our analysis of the bipartisan FY 2026 budget shows IONQ did get its Qubitekk earmark renewed for $12.5 million, but this renewed earmark only finishes payment on the $21.1 million contract they *already* announced *last year*.[21]
- We believe the Qubitekk and EPB Chattanooga deals underscore the truth of statements made by a former employee cited in Scorpion's extensive 2021 report, claiming the company would pay to make deals: "*Peter Chapman was saying that if you have to spend a lot of money to get a deal, that's fine with me, I just want the signing."*[22] We learned from a confidential source that a former executive confirmed the truth of this statement made to Scorpion. Here we see them buying Qubitekk, which they will only break even on after nearly two years,[23] while failing to disclose in any place that we could find that *they* paid $15 million for the EPB project just to say they won a $22 million sale.

- IONQ's purchase of IDQ creates problems beyond cash burn. IDQ is a Quantum Key Distribution (QKD) company that uses quantum physics to create messages theoretically protected from eavesdropping (but with limitations as per the NSA). However, the Pentagon recently directed its agencies not to use QKD and use Post-Quantum Cryptography (PQC),[24] instead. PQC encrypts data with mathematical problems that quantum computers theoretically cannot solve any faster than a classical computer.[25] As the Pentagon lays out in its roadmap for implementing PQC, this safeguard does not involve quantum computing as part of the solution, it is all done with classical computers that work *today*.[26] We think the Pentagon's stance on PQC means that IDQ's market opportunity is being strangled in its infancy.
- Bulls have touted the appointment of Kate Arrington, formerly the Pentagon's Chief Information Officer,[27] as a sign of big things coming for IONQ from the Pentagon. However, it is not clear whether she realizes that her office issued a memo forbidding the use of Quantum Key Distribution by the Pentagon, a technology that is key for IONQ's pitch to investors for IDQ and Capella.[28] It is not clear if she knew anything about quantum computing at all before joining IONQ:

  > *"It is beyond me, my capability, I was just listening to the doctors of physics explaining to me a qubit and how quantum computing is a real thing."*[29]

- 2025 was also a bad year for IONQ's technology. DARPA granted 18 quantum computing companies $1 million apiece to propose a project that could reach industrial utility in less than 10 years,[30] with successful applicants advancing to Stage B (and $5 million). Retail probably thought this was a cake walk for IONQ because it has been claiming for years now that it *already* has commercial success, seemingly validated by the Pentagon. However, it seems Kerrisdale's doubts about IONQ's technology were well founded, because IONQ came up short and did not directly advance to Stage B. Instead of disclosing this impotence to investors, in September 2025 they acquired Oxford Ionics, for $1.596 billion, which had received the $5 million in July 2025.[31] In November IONQ made a big splashy announcement that *they* made it to the second round. Facing total humiliation, they try to save face by buying their way in and pretending that someone else's accomplishments were theirs.

IONQ: WE BELIEVE THEIR STORY OF COMMERCIAL SUCCESS AND VALIDATION OF THEIR QUANTUM COMPUTER TECHNOLOGY BY THE PENTAGON HAS BEEN AN ILLUSION ENABLED BY LOBBYISTS

Critical Context for Investors: We Believe the Loss of Government Funding for Pentagon Contracts That Had Comprised Up To 86% of Recognized Revenues, and Additional Bookings of $54.6 Million Led to Potentially Illegal Insider Sales, Massive Dilution, and a Desperate Rollup of Non-Quantum Computing Businesses

In 2022-2024 IONQ recognized $76.2 million in revenues and, as of December 31st, 2024, held $10 million in deferred revenues on its balance sheet. We can reveal that the funds received from the Pentagon via backdoor earmarks during that period, (paid to IONQ by the Air Force Research Lab, Qubitekk, and the University of Maryland), were $65.5 million—or up to ~86% of recognized revenue (there is some nuance in deciphering exactly how much revenue from these contracts was recognized in this period, see endnotes) .[32]

Pentagon Contracts *(In Millions)*	FY2022	FY2023	FY2024	Totals
AFRL	$ 13	$ 26	$ 12	$ 51
Qubitekk			$ 9	$ 9
University of Maryland			$ 6	$ 6
Total				$ 66
IONQ Revenues	$ 11	$ 22	$ 43	$ 76

The issue here is that IONQ never told investors that these contracts were not due to the normal open and transparent process whereby the Pentagon requests funds for a particular goal and then is allocated those funds and awards a contract based on merit. Instead, we can reveal that the Pentagon never formally requested funds for IONQ's contract, but through backdoor earmarks, lawmakers friendly to IONQ commanded the Pentagon to get into these contracts.

Later on in this report we will go through the evidence concerning IONQ's earmarks in more detail, but it suffices to say at this point that IONQ lost these earmarks after the 2024 election, and in the FY 2026 bipartisan budget released January 20th 2026, the direct $54.5 million contract that IONQ had with the Pentagon, its largest contact ever, was left unfunded for the second year in a row, while the smaller Qubitekk contract looks like it will receive the rest of its funding. This underscores the underlying truth that these Pentagon contracts have been handouts from friendly politicians, not the result of any technological success or advantage over peers.

In 2024, IONQ, Qubitekk, related lobbyists, or IONQ-supportive lawmakers apparently persuaded the AFRL to include "Total Contract Value" ceilings in two contracts that increased their stated value by a combined $54.6 million—even though Congress had not appropriated the funds. In 2025, those contracts were left unfunded, but management never told anyone what happened. Instead, they canceled bookings altogether and dumped shares.

Management's strategy to deal with this devastating blow was to dilute investors for capital and pay billions to acquire revenue generating businesses where they thought "quantum" branding might stick for investors. The C-Suite and the board moved quickly. Eight insiders also moved to dump massive amounts of their own shares to hedge their bets at the time Congress was voting to cut funding on the FY 2025 budget which defunded their Pentagon contracts.

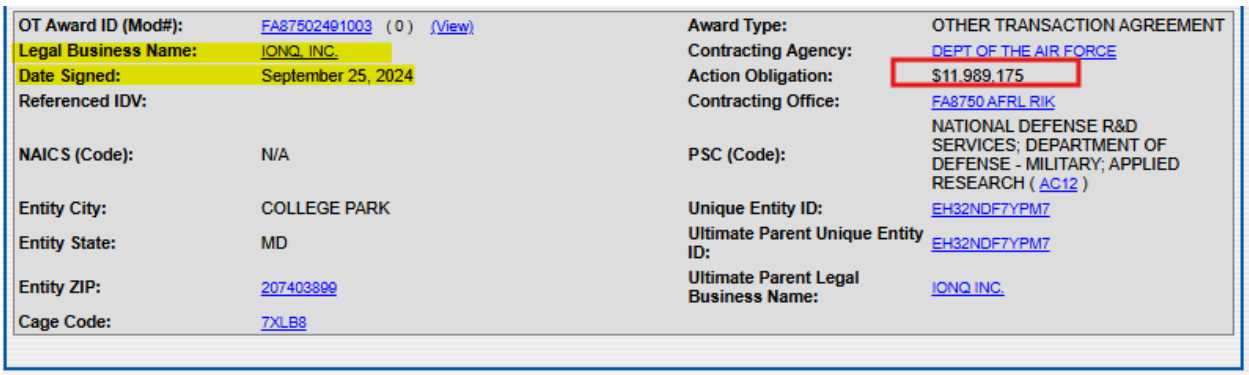
The businesses IONQ has already acquired as a result of this gambit, all designed to keep the appearance of core quantum commercial viability alive, now largely appear to be incurring massive and increasing losses, forcing investors to hold the bag for cash-burning non-quantum computing businesses along with the bags they are holding for a quantum computing business that, in our view, is years away from delivering any substantive commercial value and has received little, *if any*, genuine interest from the Pentagon.

SKYT, in our view, is not a significant improvement over the businesses they purchased in 2025. Semiconductor manufacturing is a highly cyclical and low-margin business. The market's immediate and pronounced sell-off in response to the acquisition tells us that people are not really buying the "vertical integration" angle. How much do investors really want to be funding a management team that appears more focused on rolling up subpar non-quantum computing businesses than they are on developing a quantum computer?

Federal Records Show IONQ Inflated Bookings By $54.6 Million in 2024. Instead of Coming Clean, IONQ Got a New CEO and Canceled Bookings Altogether

We believe IONQ was able to inflate its bookings by taking advantage of an unusual quirk available in government contracts. Such contracts can carry an option to increase the multi-year value above the amount that is initially funded by Congress as a sort of estimate of the total cost that might be expected for the full scope of the project (it acts as a sort of ceiling). But importantly, we believe this ceiling does not create an obligation for any amount beyond what has been funded by Congress in the federal budget.[33]

For IONQ, they announced a $54.5 million contract in September 2024, the largest government contract IONQ had ever signed. This contract was the product of a secret, backdoor earmark, the very last one directly awarded to the company. However, the $54.5 million headline number was a mirage; the amount obligated was far more modest, $11.989 million, based on the earmarked appropriation. This contract can be located in the FPDS system as seen below:



OT Award ID (Mod#):	FA87502491003 (0) (View)	Award Type:	OTHER TRANSACTION AGREEMENT
Legal Business Name:	IONQ, INC.	Contracting Agency:	DEPT OF THE AIR FORCE
Date Signed:	September 25, 2024	Action Obligation:	$11,989,175
Referenced IDV:		Contracting Office:	FA8750 AFRL RIK
NAICS (Code):	N/A	PSC (Code):	NATIONAL DEFENSE R&D SERVICES; DEPARTMENT OF DEFENSE - MILITARY; APPLIED RESEARCH (AC12)
Entity City:	COLLEGE PARK	Unique Entity ID:	EH32NDF7YPM7
Entity State:	MD	Ultimate Parent Unique Entity ID:	EH32NDF7YPM7
Entity ZIP:	207403899	Ultimate Parent Legal Business Name:	IONQ INC.
Cage Code:	7XLB8		

If you view the full information relating to the contract, you can see that the government has an obligation to fund $11.989 million, but also an option, or "ceiling" for up to $54.5 million. This option is, of course, contingent on additional funding, which Congress cut for FY 2025-and FY 2026.

Dates		Amounts	
Date Signed *(mm/dd/yyyy)* :	09/25/2024	Action Obligation:	$11,989,175.00
Period of Performance Start Date *(mm/dd/yyyy)* :	09/25/2024	Base And Exercised Options Value:	$54,489,763.00
Completion Date *(mm/dd/yyyy)* :	03/24/2028	Base and All Options Value (Total Contract Value):	$54,489,763.00
Est. Ultimate Completion Date *(mm/dd/yyyy)* :	03/24/2028	Non-Government Dollars:	$0.00
Solicitation Date *(mm/dd/yyyy)* :	03/01/2024		
Fiscal Year *(yyyy)* :	2024		

We have not found a time where management ever explained this distinction to investors: not in the initial press release, not in their earnings call when they crowed about this contract, not in their quarterly filings, and not since Congress has passed two budget laws failing to fund any additional payments (FY 2025 in March, and the Continuing Resolution for FY 2026, which expires Jan. 31). Instead, they added the whole $54.5 million contract to their bookings without any further explanation.

And they did the same damn thing with the Pentagon contract they acquired from Qubitekk. IONQ acquired Qubitekk Federal, LLC for $22 million on December 27th, one week after it had been awarded a contract, however they did not announce they had closed the acquisition until January 5th, 2025. IONQ then announced on January 13th that *it* had won a $21.1 million contract with the Pentagon, however once again this was misleading. Federal records reveal that so far, Qubitekk has only received $8.97 million from their contract with the Pentagon on December 20th, 2024.

Award ID (Mod#):	FA875025CB001 (0) (View)	Award Type:	DEFINITIVE CONTRACT
Legal Business Name:	QUBITEKK, INC.	Contracting Agency:	DEPT OF THE AIR FORCE
Date Signed:	December 20, 2024	Action Obligation:	$8,973,817
Referenced IDV:		Contracting Office:	FA8750 AFRL RIK
NAICS (Code):	RESEARCH AND DEVELOPMENT IN THE PHYSICAL, ENGINEERING, AND LIFE SCIENCES (EXCEPT NANOTECHNOLOGY AND BIOTECHNOLOGY) (541715)	PSC (Code):	NATIONAL DEFENSE R&D SERVICES; DEPARTMENT OF DEFENSE - MILITARY; APPLIED RESEARCH (AC12)
Entity City:	VISTA	Unique Entity ID:	DVRLNBZBD1H9
Entity State:	CA	Ultimate Parent Unique Entity ID:	DVRLNBZBD1H9
Entity ZIP:	920818369	Ultimate Parent Legal Business Name:	QUBITEKK INC.
Cage Code:	8VJF2		

Like IONQ's direct contracts, we found this contract was the product of a backdoor earmark (and from the exact same Air Force program budget as IONQ). And like IONQ's contract that same year, there was an option (not an obligation) to increase the value of the contract, contingent on funding.

Dates		Amounts	
Date Signed *(mm/dd/yyyy)* :	12/20/2024	Action Obligation:	$8,973,817.00
Period of Performance Start Date *(mm/dd/yyyy)* :	12/20/2024	Base And Exercised Options Value:	$21,100,244.00
Completion Date *(mm/dd/yyyy)* :	02/18/2028	Base and All Options Value (Total Contract Value):	$21,100,244.00
Est. Ultimate Completion Date *(mm/dd/yyyy)* :	02/18/2028	Fee Paid for Use of IDV:	$0.00
Solicitation Date *(mm/dd/yyyy)* :	04/25/2024		

So not only did IONQ roll out the announcement of this contract to make it seem it had been awarded *after* they purchased Qubitekk (instead of a week beforehand) they *never* mentioned that the amount funded for this contract was just $8.97 million, far less than the $21.1 million they had announced to the world and included in their bookings for Q4 2024.

Interestingly, our review of the FY 2026 budget tells us that the balance of this contract probably will be funded this year, since its backdoor earmark was included in the FY 2026 budget signed February 3rd. We are really curious as to how IONQ will spin this since they already announced the $21.1 million contract back in January 2025. Will IONQ management pretend this is some sort of new contract? Will they tell everyone how grateful they are to receive $12 million in taxpayer dollars that the Pentagon never requested?

We estimate a grand total of 58% of IONQ's total bookings reported in 2024, $54.6 million, were unfunded portions of federal contracts that had been awarded via a secret earmarking process. After the 2024 election, IONQ's political patrons lost their grip on the purse strings and none of these earmarks were funded in FY 2025. After another year of lobbying, in FY 2026 only the smaller, Qubitekk contract appears set to receive the balance of its funding, while IONQ's largest and direct contract with the Pentagon remains completely unfunded. Has management told any of this to investors? No.

Why not? We suspect they did not want to explain that the only reason the Pentagon awarded these contracts to them in the first place was due to backdoor earmarks, a form of political patronage, and not because the Pentagon thought their technology was worthier of funding than their peers.

Facing A Black Hole in Their Bookings, Peter Chapman Resigned as CEO and the New CEO de Masi Drops Bookings Entirely.

It probably did not take long after the election in 2024 for IONQ's management to realize there was a significant risk their contracts were going to go unfunded in 2025 and beyond. On February 26th, 2025, the same day IONQ announced its indefensibly inflated bookings number for 2024, they also announced that the CEO and Chairman Peter Chapman had been replaced, effective immediately as CEO (though he would remain Executive Chair for several months).[34] Chapman was replaced by Niccolo de Masi, who had been the CEO of the predecessor company before it was brought public via SPAC in 2021 and had been a board member the entire time the company was public.

Did de Masi explain that IONQ needed to update its $54.6 million in bookings because the new administration was not interested in funding the same set of pork barrel projects? No. Instead, he cancelled bookings altogether. By March 5th, de Masi was presenting at a Morgan Stanley conference and reiterating the bookings guidance, while also saying that they were canceling bookings guidance as of Feb 26th, because they had been *so successful* in commercializing their quantum product that no one really cared about bookings....

Analyst

Great. So just one quick financial question that we've been getting. You went away from bookings as a metric. Can you talk about why bookings aren't relevant really going forward?

Niccolo de Masi

Sure, sure. Yeah. I mean, Peter Chapman has been raising this with our Board and myself for at least a couple of years. And to quote him on the earnings call last week, he said we're going to be doing nine figures of GAAP revenue certainly next year. This year's guidance is $75 million to $95 million. And he sort of keeps asking when we're going to take the training wheels off.

[...]

We're the leader in doing things for customers today. And we're the leader in applying quantum. At the end of the day, it's like the proverbial sound of the woods that no one hears. It doesn't really matter if you have the best sound of the woods, no one hears. We think quantum is about being the best commercial business, being the only quantum business that actually is regulated by the SEC, [indiscernible], etc.

How is that for a non-answer?

We think that if they had kept bookings, then they would have not only had to cancel 58% of the bookings from 2024, but we think it would also have become obvious that their bookings for their quantum computing business had all but dried up in 2025, instead they have been announcing acquisition after acquisition.

Our research indicates they have almost no new bookings relating to their efforts to commercialize their quantum computers. Instead, IONQ has spent the year buying deals like the EPB Chattanooga quantum center and rolling up revenue generating businesses that have little to do with quantum computers.

We Believe IONQ's Acquisition Strategy is a Broken Roll-Up: It Buys Low-Margin and Money-Losing Businesses to Obscure Loss of Quantum Computing Contracts with Government

While IONQ disregarded their bookings, immediately after inflating them, the new CEO, de Masi kept their revenue guidance figures but specified that they would include acquisitions. This point was reiterated by the CFO, Thomas Kramer, during the Q1 earnings call:

"We did say on the previous call that the revenue guidance for the year included organic and inorganic sources."

Our analysis indicates that the two largest revenue contributors acquired by IONQ in 2025 will be Capella Space and Vector Atomics (ID Quantique will also produce revenues, but we will discuss that acquisition separately).

IONQ bought Capella Space on July 11th, 2025, for $425 million, with $50 million paid in cash, and the rest in stock. Capella's SAR satellite imaging technology, which uses radio waves to capture satellite images in any weather, is neat, but is a 75-year-old technology and does not appear to be related to quantum computing. We think IONQ purchased Capella primarily because Capella Space currently generates ~$11 million a quarter in revenues (with more expected in late 2026 with the launch of their next gen satellite) and allows them to talk about "quantum in space." Because the government is Capella's main customer, IONQ could also conflate Capella's meaningless satellite revenue numbers with the unannounced missing Pentagon quantum computing and networking revenues, effectively covering up the hole.

This revenue boost has a cost. Cash flows from operations went from negative ($52.6 million) in Q2 2025 to a staggering negative ($123.1 million) in Q3 2025.

Vector Atomics is an atomic clock company. The first atomic clock was successfully tested in 1949 and what makes it interesting is that they measure the passage of time based on the vibrations of atoms instead of astronomical measurements (like a day or year). While this technology is very cool and clearly depends on an understanding of quantum physics and may even be considered a relatively hot commodity right now, it is clearly not the same thing as quantum computing.

We suspect the primary reason IONQ acquired Vector Atomics was because they have been steadily growing the size and scope of their government contracts. IONQ stated that Vector had generated $200 million in government contracts since its inception in 2016. We calculate that from 2022-2024 their contracts with the federal government grew at a CAGR of 22%. Based on Vector Atomics' growth over the last three years, we calculate Vector Atomics will generate ~$88 million in revenues in 2026. The problem for investors is that there are plenty of atomic clock companies.[35]

IONQ Triples Down on Its Revenue Backfilling Strategy with the Purchase of SkyWater Technologies

We believe IONQ's proposed $1.8 billion cash and stock deal with SkyWater Technologies (SKYT), is ridiculous, and it appears the market agrees (if you can judge by the massive selloff on the day it was announced). Once acquired, SKYT will make up the majority of IONQ's revenues, essentially turning the focus of the company's operations from quantum to semiconductors.

IONQ's management has done its best to link this acquisition to quantum by claiming that this is a move to vertically integrate because SKYT's foundry will be able to "pull forward functional testing of its 200,000 qubit [Quantum Processing Units] QPUs in 2028 enabling over 8,000 ultra-

high fidelity logical qubits." Does vertical integration and improving margins make sense at this stage?

Their quantum computer is still *theoretical*. IONQ just had to buy Oxford Ionics, who had no pretentions of commercialization, because DARPA did not think IONQ's plan for a quantum computer even had a realistic shot at industrial utility in the next ten years.

So, what is this purchase *really* about? We think there are two principal factors driving it. The first is that SKYT recently made its own acquisition and projected revenues of $600 million for FY 2026 and will allow IONQ to muddy the waters and confound the retail investors into believing IONQ is rapidly growing its quantum computing commercialization. The fact that IONQ is using funds raised from investors hoping to get a first bite of the apple on a highly innovative, high-margin, secular growth story in quantum computing and using it to buy a highly cyclical low-margin business in a mature industry like semiconductor fabrication is an inconvenient fact to overlook.

The second factor is that these companies may have known one another through their lobbying efforts in DC. SKYT used to have used the same lobbyist, Clark Street Associates, as IONQ. We believe we have even identified SKYT's own backdoor earmark, for a "radiation hardened fully-depleted silicon on insulator microelectronics."

Unlike IONQ, SKYT was able to get this earmark renewed in the FY 2026 budget after missing out on this earmark in FY 2025. While this $34.2 million earmark is only 10% of SKYT's TTM revenues, it is more than 10x SKYT's $3.1 million in TTM operating income. IONQ's awareness of SKYT's dependance on congressional patronage for this low margin business, and its keen awareness that this congressionally directed funding is unreliable, may have allowed them to negotiate a price for SKYT that has bulls for the semiconductor business fuming post-announcement.

DoW Cuts the Legs Out from Quantum Key Distribution Companies Like ID Quantique (IDQ) As the Pentagon Moves to Post-Quantum Cryptography

On April 30th, 2025, IONQ purchased a controlling stake in IDQ for $116 million. Later disclosures indicate IDQ generates ~$6 million per quarter. IDQ sells a Quantum Key Distribution (QKD) system, which is a form of encryption or cryptography that relies on quantum physics to detect hacking attempts, since any observation of the encryption keys by an intruder changes the quantum state. By basing the encryption on quantum physics instead of on traditional cryptography (which uses mathematical problems), this QKD system will theoretically prevent a future breach of encryption by a quantum computer as well as make it impossible for anyone to eavesdrop on the conversation. IDQ has disclosed one major contract with a South Korean telecom entity, SK.

While QKD may seem like the cryptography of the future, it has several significant limitations and there is a major problem for its commercial prospects, the emergence of post-quantum cryptography (PQC). PQC has been designed with mathematical problems which are not vulnerable to the theoretical capabilities of quantum computers.

The NSA has also detailed numerous limitations, including authentication issues, the need for specialized hardware, difficulties in integration with current systems, the need for trusted relays, increasing cost and risk of insider threats, its validation poses engineering challenges that create security vulnerabilities which have resulted in well-publicized attacks on commercial QKD systems, and finally they also may be vulnerable to denial of service attacks.

And it's not just the NSA; it's the entire Pentagon. The DoW has chosen to implement PQC to protect their security and explicitly forbids any government agency from using QKD:

2. DoW Components will not test, evaluate, pilot, use, or procure the following technologies or capabilities for the purposes of providing confidentiality, authenticity, or integrity in DoW networks and communications:

a. Quantum Confidentiality or Keying Technologies. Examples of these include but are not limited to quantum key distribution (QKD); solutions combining QKD with other cryptographic key establishment; quantum communications or networking; non-local quantum randomness generation; or non-FIPS random number generation. While such quantum communication technologies may offer other functional properties, they shall not be used as a means for achieving security for confidentiality, data or entity authentication, key distribution, or non-local randomness generation. Such solutions shall not be used unless provided exception by the point of contact above.

While it is possible there may be some niche customers interested in implementing QKD technology by IDQ (as opposed to one of their competitors), if you juxtapose the DoW's praise of PQC with the NSA's takedown of QKD systems, it is hard to see anything but a gloomy forecast for IDQ's commercial prospects.

However, even if IDQ had wild commercial success, it would not do anything to help build a quantum computer, no more than the atomic clock or satellite imagery company. Both IDQ and Vector are interesting businesses that rely on the practical application of quantum physics, but that *does not mean* they are quantum computing companies. We think this acquisition does nothing to advance the main thing investors are buying—IONQ's ability to deliver a commercially viable quantum computer.

According to Local Reports, IONQ Quietly Chipped in $15 Million on the $22 Million EPB Chattanooga Deal, With the Remaining Funds Coming from Taxpayers

On April 25, 2025, IONQ announced a news-pending trading halt, and then announced a $22 million deal with EPB Chattanooga, a municipally owned "energy and communication" company to build a "quantum innovation center." When we look a little closer at EPB's website, we can see that EPB is a local power company that also provides cable internet.

Now bulls might argue that a deal of this size with what is essentially a municipal power company really underscores the fundamental value of IONQ's quantum computing because EPB is not the type of company that would frivolously spend money on a pipedream. On the earnings call, de Masi stated "*We are all proud that in Q1, we **sold** a Forte Enterprise system to EPB of Chattanooga, Tennessee*." He followed up by stating, "*Last month, EPB **purchased** half of the compute capacity of a Forte Enterprise system **for $22 million**, bringing our latest quantum computer to their city and customers.*"

While many investors and analysts believed this indicated a large influx of revenues and a signal of strong demand for their commercial products, it appears EPB may not have spent *any* of its own money on this project.

According to local reporting, IONQ itself is providing $15 million of the funding for this $22 million project. Management is apparently profoundly embarrassed that they provided ~68% of the funds for this project since they never disclose this fact in their announcement, earnings call, or quarterly filings.

> (TNS) — Marking what one of its partners called the dawn of a new era," Chattanooga's Internet and electric utility, EPB, is buying a quantum computer for $22 million, which officials expect will be operational in early 2026.
>
> EPB is partnering with the quantum computing hardware and software company IonQ of Maryland, which will supply $15 million for the project. The company will also establish an office in Chattanooga to provide support and training on quantum computing, networking and application development.

If this local news report is accurate, then we think de Masi badly misled investors by hiding the fact that IONQ self-financed this customer. Is this a simple financing arrangement? Without any disclosure we think it is an open question as to how IONQ accounted for this partnership. There is no disclosure in the 10-Q concerning how any revenue from this self-financed deal may have been counted. If you assume that IONQ accounted for this $22 million deal as revenue in 2025, (which is not a huge stretch considering de Masi described this as a *sale*) then we calculate this deal would have accounted for 50% of IONQ's quantum computing sales this year.

Additionally, what should really concern investors is that EPB does not appear to be putting any of its *own* money into this project. We believe that the additional funding was won through yet more congressional earmarks, undercutting any notion that this project was an expression of genuine commercial demand.

EPB itself secured a "Community Project Funding" (CPF) earmark from a single Tennessee congressman in FY24 totaling $4 million, for the "EPB Quantum Network," records show. The University of Tennessee secured its own $3.5 million earmark the same year, and from the same congressman, to participate in the "EPB Quantum Network in Chattanooga." If you add these earmarks to IONQ's contribution, the total is $22.5 million, enough to fully fund the project.

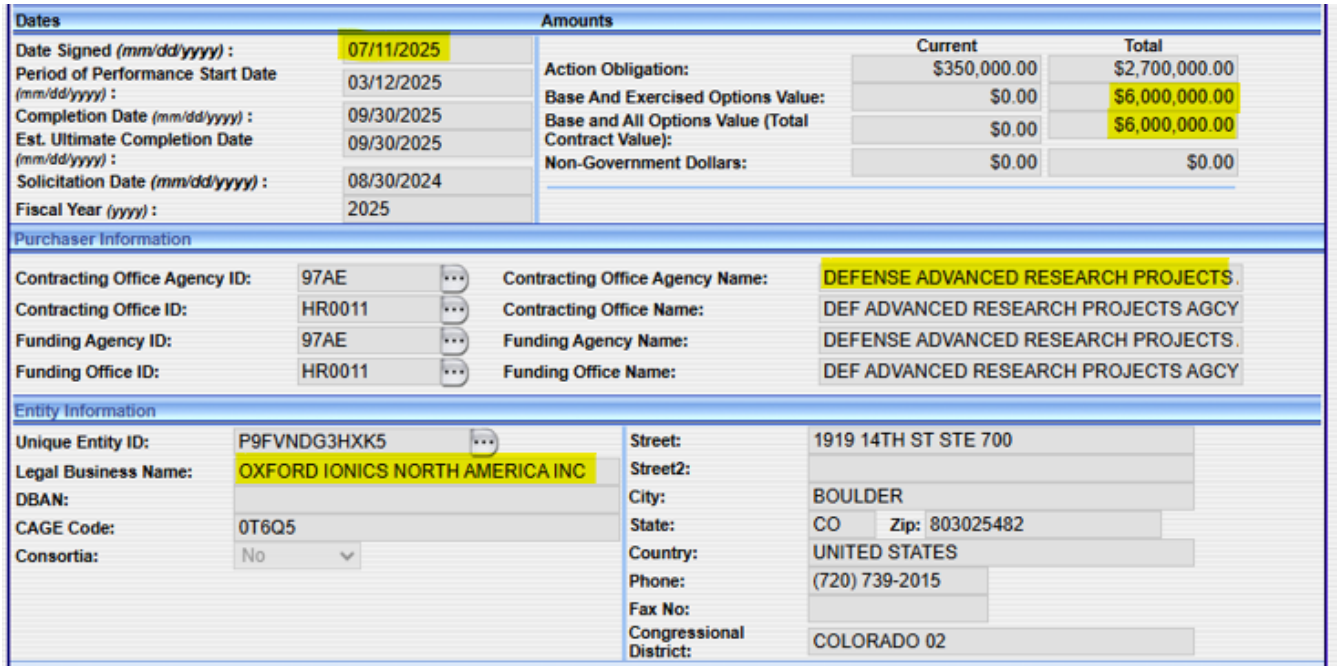
IONQ Spent $1.6 Billion on Oxford Ionics After It Was Humiliated When DARPA Did Not Choose Them to Get Past the First Round of a Competition to Find a Quantum Computer That Could Have Industry Utility Within 10 Years

IONQ's largest acquisition in 2025 was the purchase of Oxford Ionics, which closed at a value of $1.596 billion. This deal was announced on June 9th and closed on September 17th, 2025. Just $10 million of this consideration was provided in cash so it was a nearly all-stock deal. The lockup on these newly issued shares will expire in tranches over the next five years with the first batch 1 year post acquisition.

But what is the point of consolidation when we are years away from a viable commercial product in quantum computing? We think the answer lies in a competition to find (and fund) the most promising quantum projects sponsored by Defense Advanced Research Projects Agency (DARPA).

DARPA selected 18 companies to participate in a three-stage competition. In the first stage reportedly "companies have six months to propose a quantum computer concept that could realistically reach industrial utility within the next 10 years." Participants selected for the first stage received $1 million. Companies that succeeded in this first stage would receive $5 million and advance to the second stage where DARPA will reportedly "grant the companies one year to describe a research and development plan with risks and ways to mitigate the risks."

Federal procurement records show that DARPA advanced Oxford Ionics to stage B by July 11th.



Dates	
Date Signed (mm/dd/yyyy) :	07/11/2025
Period of Performance Start Date (mm/dd/yyyy) :	03/12/2025
Completion Date (mm/dd/yyyy) :	09/30/2025
Est. Ultimate Completion Date (mm/dd/yyyy) :	09/30/2025
Solicitation Date (mm/dd/yyyy) :	08/30/2024
Fiscal Year (yyyy) :	2025

Amounts	Current	Total
Action Obligation:	$350,000.00	$2,700,000.00
Base And Exercised Options Value:	$0.00	$6,000,000.00
Base and All Options Value (Total Contract Value):	$0.00	$6,000,000.00
Non-Government Dollars:	$0.00	$0.00

Purchaser Information

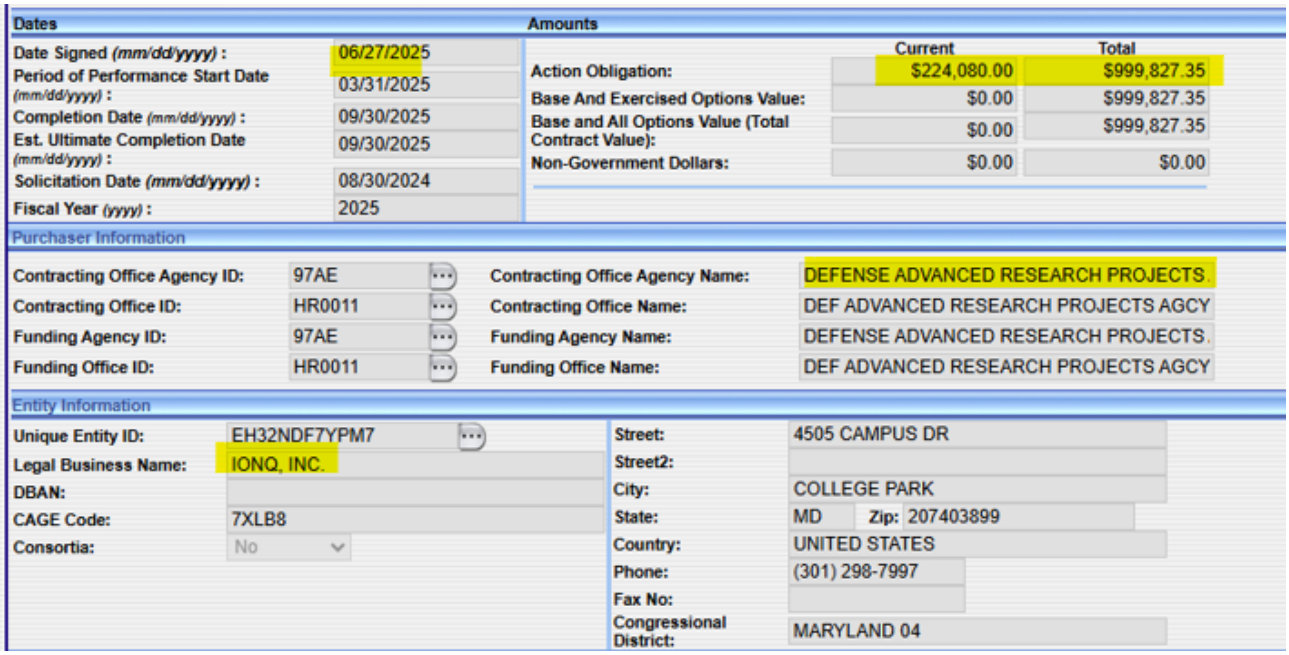
Contracting Office Agency ID:	97AE	Contracting Office Agency Name:	DEFENSE ADVANCED RESEARCH PROJECTS
Contracting Office ID:	HR0011	Contracting Office Name:	DEF ADVANCED RESEARCH PROJECTS AGCY
Funding Agency ID:	97AE	Funding Agency Name:	DEFENSE ADVANCED RESEARCH PROJECTS
Funding Office ID:	HR0011	Funding Office Name:	DEF ADVANCED RESEARCH PROJECTS AGCY

Entity Information

Unique Entity ID:	P9FVNDG3HXK5	Street:	1919 14TH ST STE 700
Legal Business Name:	OXFORD IONICS NORTH AMERICA INC	Street2:	
DBAN:		City:	BOULDER
CAGE Code:	0T6Q5	State:	CO Zip: 803025482
Consortia:	No	Country:	UNITED STATES
		Phone:	(720) 739-2015
		Fax No:	
		Congressional District:	COLORADO 02

This disclosure shows Oxford Ionics knew they were going to get to the second round (receiving a total of $6 million) by July 2025, and they may have even known informally before then.

When we look at DARPA's funding specifically for IONQ, we find that it only received $1 million, indicating their technology did not even meet the exceptionally low bar of having a quantum computing "concept" that "realistically" had a chance of industrial utility within "10 years."



Dates	
Date Signed (mm/dd/yyyy) :	06/27/2025
Period of Performance Start Date (mm/dd/yyyy) :	03/31/2025
Completion Date (mm/dd/yyyy) :	09/30/2025
Est. Ultimate Completion Date (mm/dd/yyyy) :	09/30/2025
Solicitation Date (mm/dd/yyyy) :	08/30/2024
Fiscal Year (yyyy) :	2025

Amounts	Current	Total
Action Obligation:	$224,080.00	$999,827.35
Base And Exercised Options Value:	$0.00	$999,827.35
Base and All Options Value (Total Contract Value):	$0.00	$999,827.35
Non-Government Dollars:	$0.00	$0.00

Purchaser Information

Contracting Office Agency ID:	97AE	Contracting Office Agency Name:	DEFENSE ADVANCED RESEARCH PROJECTS
Contracting Office ID:	HR0011	Contracting Office Name:	DEF ADVANCED RESEARCH PROJECTS AGCY
Funding Agency ID:	97AE	Funding Agency Name:	DEFENSE ADVANCED RESEARCH PROJECTS
Funding Office ID:	HR0011	Funding Office Name:	DEF ADVANCED RESEARCH PROJECTS AGCY

Entity Information

Unique Entity ID:	EH32NDF7YPM7	Street:	4505 CAMPUS DR
Legal Business Name:	IONQ, INC.	Street2:	
DBAN:		City:	COLLEGE PARK
CAGE Code:	7XLB8	State:	MD Zip: 207403899
Consortia:	No	Country:	UNITED STATES
		Phone:	(301) 298-7997
		Fax No:	
		Congressional District:	MARYLAND 04

DARPA's snub, determining that IONQ does not have a reasonable chance of making a useful quantum computer within 10 years, must have been a huge kick in the teeth for IONQ since its CEO has been claiming it has *already* commercialized its quantum computer.

On November 6th, DARPA announced the contestants who would be making it to Stage B, and just as it planned, IONQ's name was on the list, not because their offering was good enough to make it to the second round but because they bought Oxford Ionics. Just like with Quibitekk, when IONQ loses, they just buy their competitor with shareholder money and say they won. The CEO de Masi's statement reinforced the company's story that it has been a major leader in quantum computing commercialization.

> *We're honored to be selected for Stage B of DARPA's Quantum Benchmarking Initiative.* ***With commercial deployments of IonQ quantum systems worldwide*** *– and availability on all three of the major cloud platforms – IonQ is uniquely positioned to contribute practical insights and technical advancements to this initiative.*

We think DARPA's assessment tells the real story; IONQ's technology and progress were utterly inadequate. A commercially viable quantum computer is years away, which is why we believe nearly all its "commercial" revenues have either been contracts awarded via secret government earmarks or from acquisitions of companies that generate revenues from something that is not quantum computing (satellite imaging, atomic clocks, QKD).

PART II: How the Sausage Is Made: How IONQ Won (and Lost) Pentagon Contracts That Propelled Them to a $14 Billion Valuation

IONQ Paid a Lobbyist Firm $3 Million For a Backroom Deal with High-Ranking Lawmakers to Get Money Funneled to Them Through the Pentagon

Taxpayers now fund an annual Defense budget approaching $1 trillion, including $154 billion for R&D spending.[36] Each year Congress tucks a little-known stash into the R&D cash pile that lawmakers use to command the Pentagon to spend money on hundreds of pet research projects that the agency never requested. In the last full-year defense budget approved by lawmakers (FY 2024), that stash reached $7.2 billion for 905 such projects, according to data from the watchdog group Taxpayers for Common Sense.[37]

Lawmakers directed more than 92% of these anonymously, in contrast to traditional pork-barrel earmarks, for which the legislative sponsors must be disclosed under congressional rules.[38] Conveniently, the companies that get the cash also aren't named in any public congressional records. Instead, lawmakers, staff, and lobbyists craft a few coded words to direct spending for each earmark to their favored recipients, often using a phrase referring to a unique or patented process. They put those words and spending commands into a huge report slapped onto the Defense Appropriations Act, or continuing resolution. If there's any doubt about who's supposed to get the contract, lawmakers or staff clarify in private discussions with Pentagon officials regarding "Congressional intent."[39] *Roll Call* reports these can come with threats of 'give-them-to my-guys-or-else,' as Congress holds the purse.

The practice is so popular with lawmakers that when Republicans teamed up with President Obama in 2011 to ban classic pork-barrel earmarks, following corruption prosecutions, backdoor earmarks for Defense were largely unscathed. They then grew to record levels.

By defense-spending standards, most contracts are tiny, amounting to just a few million bucks, or sometimes tens of millions. Often, they go to campaign contributors or small, local private companies or university research programs in a lawmaker's district or state. But it's not hard to imagine how they could be transformative for a pre-profit technology company hyping The Next Big Thing to investors. Thanks to political patronage, they could yield revenues elusive to *everyone else* in the market—*before* the technology is even commercial. Such contracts could also provide the appearance of the vital "commercial" traction and "validation" investors are looking for—from none other than Uncle Sam. And if your backroom dealmaking on Capitol Hill can somehow make these awards bigger year after year, or even look bigger, you've got what tech investors love most—growth!

The icing: the Congressionally designed opacity of the process means no one outside the company, a handful of politicians, and lobbyists has to know such contracts were directed by an individual lawmaker, rather than being requested by the Pentagon and awarded through the kind of head-to-head competition that investors and taxpayers expect.[40] If all that were in place, the sky could be the proverbial limit.

We think IONQ's extremely rich valuation compared to their peers, despite sharing the same enormous losses, is due to investor enthusiasm generated by these secretive pork barrel contracts.

In the public record, we find signs pointing to IONQ's eventual success in securing funds in this backdoor program beginning in April 2021—nearly six months before the company's IPO via de-SPAC. At a hearing on April 14th, IONQ's then-home state hero, the now-retired Maryland Rep. Dutch Ruppersberger, promoted his state as a "global leader in quantum science" in partnership with "a University of Maryland startup called IONQ."[41] The next day, a little-known Silicon Valley lobbying firm, Clark Street Associates, filed a registration statement to lobby on behalf of IONQ.[42]

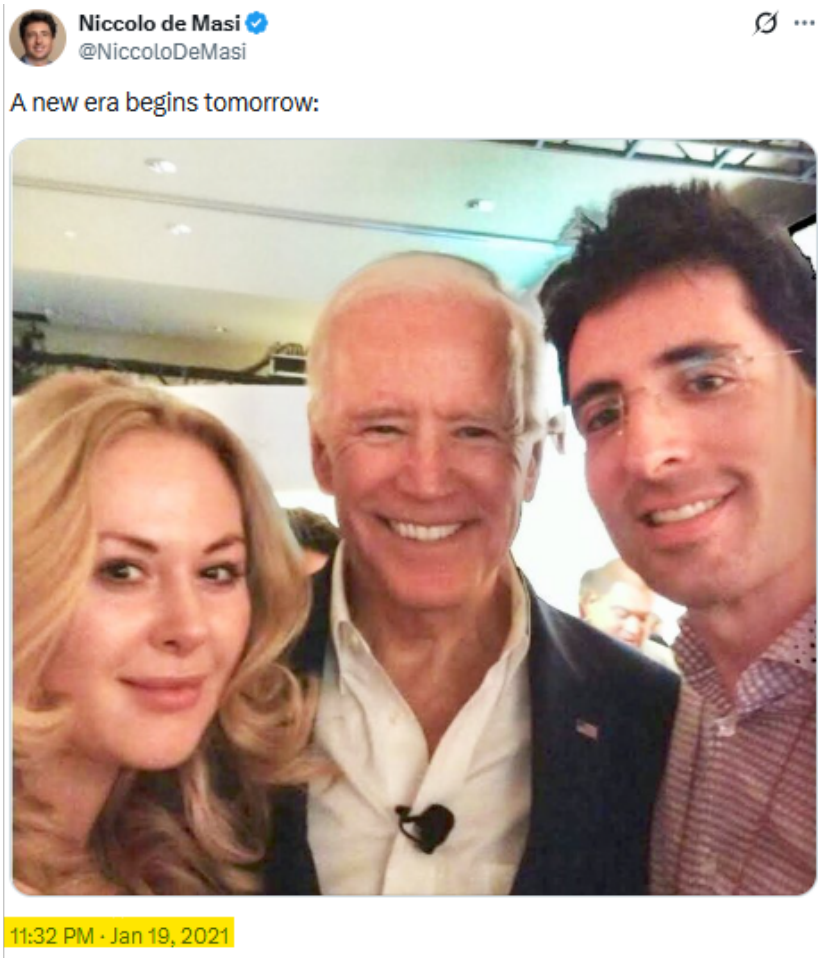
Under the motto, "From Concept to Contract," Clark Street boasted on its website that it drives "corporate valuation for technology companies at all stages of development" with government contracts.[43] IONQ has paid more than $3 million in lobbying fees to Clark Street, which the firm passed to leading defense lobbyists in Washington.[44] How did Clark Street get paid? Court records show success rewarded with a payment equal to 5% of the taxpayer-financed revenue received by a lobbying client.[45]

In the final days of his leadership at IONQ, Chapman even offered a testimonial to Clark Street for its website, declaring its lobbying positioned "us for substantial funding that has been transformative."[46]

Peter Chapman, CEO of IonQ

Deep Understanding without the Handholding: "Our technology is complex, and we struggled to find a government consultant who could understand it well enough to be effective without us having to do all the work. Clark Street's approach—combining deep technical, business, and government expertise in multidisciplinary teams—allowed them to get up to speed fast and bring real strategic insight without us needing to be in every meeting. They were able to craft and communicate a compelling strategy on our behalf, positioning us for substantial funding that has been transformative. Clark Street's ability to understand and advocate for our technology independently, without our constant oversight, is exactly what we were looking for in a partner."

Niccolo de Masi, the current CEO of IONQ, who was also the CEO of IONQ's SPAC target, dMY Technology Group III, appears to have successfully ingratiated himself with the previous administration. Two weeks after Clark Street registered as IONQ's lobbyist in April 2021, Niccolo de Masi made what appears to be his only disclosed federal campaign contribution: $2,900, the maximum allowed, to Democratic Senate leader Chuck Schumer, although that may not have been the full extent of his efforts. [47] His support was significant enough that it appears he met Biden personally and on the eve of the inauguration, January 19th, 2021, he posted a selfie of him embracing President Biden saying, "A new era begins tomorrow."[48]



The Repeated Use of Key Words Allow Us to Track How Much IONQ Was Feeding at the Government Trough, And to See How They Were Left Out in the Cold.

Even if they're able to find the Congressional records, the coded words contained in Congress's annual spending commands for these earmarks would be indecipherable to even the most sophisticated investors. But as *Roll Call* has noted, unmasking the process is sometimes made easier by lawmakers themselves, who can take credit in press releases for securing the funds after votes. And in rare cases, lawmakers will inadvertently blow a company's cover *before* the spending bill has been passed, let alone been turned into a "competitively" awarded Pentagon contract. When this happens, it can provide compelling evidence that the funds were earmarked behind closed doors for one company well ahead of any official actions.

This is precisely what happened in IONQ's case for its very first backdoor earmark. On June 7th, 2021, two members of Congress whose constituents consist of people who rely on the Air Force Research Lab (AFRL) Information Directorate's headquarters in Rome, NY, put out a joint press release listing AFRL funding projects they supported, including "IonQ's *Ion Trap Quantum Computer*."[49]

That was nine months *before* Congress passed the Defense Appropriations Act (March 2022) with an earmark commanding the AFRL to spend $10 million on the key words, "*ion trap quantum computing*."[50] The press release naming IONQ also came 15 months before the AFRL turned that earmark into IONQ's first big-time government contract for a "*trapped ion quantum computer*"—the description of the spending in procurement records used in the contract and the Federal Data Procurement System (FPDS).

From FY 2022 through FY 2024, backdoor earmarks were translated into IONQ contracts with AFRL, revenue from University of Maryland (UMD),[51] and for IONQ via Qubitekk, for a total of $65.5 million. We verified this by matching data across budgetary documents, the FPDS entries for each award, and press releases issued by lawmakers and recipients. In the comprehensive summary below, we use **red** to highlight how **coded earmark language** from Congress translated into IONQ cash each year. Other matching data points have their own colors.

Fiscal Year	Earmark Command from Congress	Resulting Contract Award	Appropriators cited in press release
2022	Tells DoD to spend $10 million for Applied Research into "Ion Trap Quantum Computing" from budget of Information Directorate, Rome, NY U.S. Air Force Research Laboratory	DoD to **IonQ** (Sept. 29, 2022), $13.4 million for Applied Research into "Trapped Ion Quantum Computing Systems" from the Information Directorate, Rome, NY U.S. Air Force Research Laboratory	Press release 15 months prior to award cites support for "IonQ's Ion Trap Quantum Computer" from Rep. for Information Directorate, Rome, NY U.S. Air Force Research Laboratory
2023	Tells DoD to spend $30 million for Applied Research into "Ion Trap Quantum Computing" from budget of Information Directorate, Rome, NY U.S. Air Force Research Laboratory	DoD to **IonQ** (Sept. 27, 2023), $25.5 million for Applied Research into on "Trapped Ion Quantum Computing Systems" from the Information Directorate, Rome, NY U.S. Air Force Research Laboratory	Sen. Chris Van Hollen (D-MD) Rep. Dutch Ruppersberger (D-MD) (cited in IonQ release)
2024	Tells DoD to spend $20 million for a "secure quantum computing facility"	$20 million to the **University of Maryland** (Mar. 22, 2024) for "Securing Experimental Quantum Computing Usage," w/UMD confirming "secure quantum computing facility" funds came via FY24 "defense appropriations" bill before awarding $5.7 million of it to **IonQ**.	Sen. Chris Van Hollen (D-MD) Rep. Dutch Ruppersberger (D-MD) (cited in IonQ release)
2024	Tells DoD to spend $15 million for Applied Research into "Ion Trap Quantum Computing" from budget of Information Directorate, Rome, NY U.S. Air Force Research Laboratory	DoD to **IonQ** (Sept. 27, 2024), $11.9 million for Applied Research into "Trapped Ion Quantum Computing Systems" from the Information Directorate, Rome, NY U.S. Air Force Research Laboratory (applied to multi-year contract of $54.4 million)	
2024	Tells DoD to spend $10 million for Applied Research into "Quantum Entanglement Distribution" from budget of Information Directorate, Rome, NY U.S. Air Force Research Laboratory	DoD to **Qubitekk** (Dec. 20, 2024), $8.9 million for Applied Research into "Quantum Entanglement" from the Information Directorate, Rome, NY U.S. Air Force Research Laboratory (applied to multi-year contract of $21.1 million)	

Although we could find nothing from them as these earmarks passed in FY 2023 and FY 2024, Ruppersberger, who retired in January 2025, and Sen. Chris Van Hollen took credit for IonQ's contract "wins." "I was proud to help secure the necessary funding," Ruppersberger said in IONQ's 2023 contract press release, with Van Hollen adding, "I will keep working to bring investments to Maryland."[52] When IONQ announced the next year it was getting funds from UMD, Ruppersberger and Van Hollen took credit again.[53] Until January 2024, IONQ reported UMD as a related party.

Here are the original line-item funding-command tables from Congress for AFRL quantum spending in each fiscal year, with the coded language highlighted. In each case, the white space in the "Budget Request" column indicates the Pentagon did not formally request the funds (along with other DoD records we also verified).

FY 2022:

EXPLANATION OF PROJECT LEVEL ADJUSTMENTS
[In thousands of dollars]

R-1	Budget Request	Final Bill
14. DOMINANT INFORMATION SCIENCES AND METHODS	169,110	221,110
Progam increase – quantum network testbed		10,000
Program increase – photonic quantum computing		25,000
Program increase – quantum Internet battlefield		7,000
Program increase – ion trap quantum computing		10,000

FY 2023:

EXPLANATION OF PROJECT LEVEL ADJUSTMENTS
[In thousands of dollars]

R-1	Budget Request	Final Bill
14 DOMINANT INFORMATION SCIENCES AND METHODS	166,041	271,041
Program increase – ion trap quantum computing		30,000
Program increase – quantum network testbed		10,000
Program increase – secure quantum computing facility (CDM)		20,000
Program increase – internet of things innovation ecosystem		5,000
Program increase – traffic management operational readiness		10,000
Program increase – university-based quantum materials applied research		30,000

FY 2024:

EXPLANATION OF PROJECT LEVEL ADJUSTMENTS
[In thousands of dollars]

R-1	Budget Request	Final Bill
14 DOMINANT INFORMATION SCIENCES AND METHODS	182,076	352,576
Program increase – photonic chips for quantum computing		10,000
Program increase – heterogeneously integrated photonics and electronic technologies		10,000
Program increase – quantum entanglement distribution		10,000
Program increase – tecnnology innovation collaborative		2,000
Program increase – secure quantum computing facility		20,000
Program increase – cyberspace dominance technology		10,000
Program increase – future flag JADC2 operational experimentation testbed		25,000
Program increase – quantum cryptography		10,000
Program increase – ion trap quantum computing		15,000
Program increase – internet of things living ecosystem		2,500
Program increase – C-UAS high speed imaging technology		2,000
Program increase – multi-domain RF spectrum environment		10,000
Program increase – photonic quantum computing		4,000
Program increase – quantum network testbed		10,000
Program increase – UAS traffic management advanced air mobility enhancements		10,000
Program increase – university-based quantum materials applied research		20,000

An Adverse Election Leaves IONQ In the Cold With a $54.6 Million Black Hole; Insiders Dump Shares

When Republicans took majorities in the House and Senate in 2024 and President Trump took the White House, IONQ must have known that it was at risk of losing its secret earmarks as the members of Congress and the prior administration it had been cultivating no longer had access to the purse strings.

In the FY 2025 Continuing Resolution passed by Congress March 11th-14th, 2025, the new majority made steep cuts to Congress's own R&D cash stash—slashing $3.8 billion below the prior year. The AFRL budget table below shows the damage to quantum, by the earmarks' absence. These tables, however, were not made public until at least March 19, which is the earliest Taxpayers for Common Sense could have published them for the first time, records show.[54] That means even if investors could have cracked the IONQ earmark codes, they could not have known IONQ was out of the budget when Congress voted on it from March 11th-14th—which was also when insiders organized and executed their epic share dump.

FY 2025 (CR)

RESEARCH, DEVELOPMENT, TEST AND EVALUATION, AIR FORCE

EXPLANATION OF PROJECT LEVEL ADJUSTMENTS
[In thousands of dollars]

R-1	Budget Request	Agreement
14 DOMINANT INFORMATION SCIENCES AND METHODS	176,333	207,333
Program increase – dependable AI for national security		11,000
Program increase – TPS75 radar CUAS upgrade		12,000
Program increase – air domain awareness for airspace safety, management and counter UAS effectiveness		8,000

While the table above shows the absence of IONQ's earmarks, the Air Force's formal, unclassified budget request for FY 2026 shows the Pentagon actively zeroing them all out in 2025, including no 2025 funding for the two contracts with the combined $54.4 million blackhole.

UNCLASSIFIED

Exhibit R-2, RDT&E Budget Item Justification: PB 2026 Air Force | **Date:** June 2025

Appropriation/Budget Activity
3600: *Research, Development, Test & Evaluation, Air Force* / BA 2: *Applied Research*

R-1 Program Element (Number/Name)
PE 0602788F / *Dominant Information Sciences and Methods*

This program includes funding for the requisite DAF Science & Engineering (S&E) and mission enabling civilian workforce with the necessary technical competencies to develop, manage, and deliver science & technology capabilities. The use of program funds in this program element is in conjunction with the civilian pay expenses budgeted in the following program elements: 1206601SF, 0601102F, 0602020F, 0602102F, 0602202F, 0602203F, 0602204F, 0602298F, 0602336F, 0602602F, 0602605F, and 0603680F. In FY 2026, $104.926 million is budgeted in this program for 627 direct Full-Time Equivalent (FTE) civilians. The Air Force Research Laboratory (AFRL) utilizes 10 USC 4091, "Authorities for certain positions at science and technology reinvention laboratories" to manage the workforce strength, structure, positions, and compensation.

This program is in Budget Activity 2, Applied Research because this budget activity includes studies, investigations, and non-system specific technology efforts directed toward general military needs with a view toward developing and evaluating the feasibility and practicality of proposed solutions and determining their parameters.

B. Program Change Summary ($ in Millions)	FY 2024	FY 2025	FY 2026 Base	FY 2026 OOC	FY 2026 Total
Previous President's Budget	182.076	176.333	176.607	0.000	176.607
Current President's Budget	337.052	207.333	187.036	0.000	187.036
Total Adjustments	154.976	31.000	10.429	0.000	10.429
• Congressional General Reductions	-0.997	0.000			
• Congressional Directed Reductions	0.000	0.000			
• Congressional Rescissions	0.000	0.000			
• Congressional Adds	170.500	31.000			
• Congressional Directed Transfers	0.000	0.000			
• Reprogrammings	0.000	0.000			
• SBIR/STTR Transfer	-7.244	0.000			
• Other Adjustments	-7.283	0.000	10.429	0.000	10.429

Congressional Add Details ($ in Millions, and Includes General Reductions)	FY 2024	FY 2025
Project: 625315: *C4I Dominance Technology*		
Congressional Add: *Program Increase - Photonic Chips for Quantum Computing*	9.795	0.000
Congressional Add: *Program Increase - Heterogeneously Integrated Photonics and Electronic Technologies*	9.795	0.000
Congressional Add: *Program Increase - Quantum Entanglement Distribution*	9.795	0.000
Congressional Add: *Program Increase - Technology Innovation Collaborative*	1.959	0.000
Congressional Add: *Program Increase - Secure Quantum Computing Facility*	18.613	0.000
Congressional Add: *Program Increase - Future Flag JADC2 Operational Experimentation Testbed*	24.487	0.000
Congressional Add: *Program Increase - Quantum Cryptography*	9.795	0.000
Congressional Add: *Program Increase - Ion Trap Quantum Computing*	14.692	0.000

PE 0602788F: *Dominant Information Sciences and Method...*
Air Force
UNCLASSIFIED
Page 2 of 21
R-1 Line #15
Volume 1 - 246

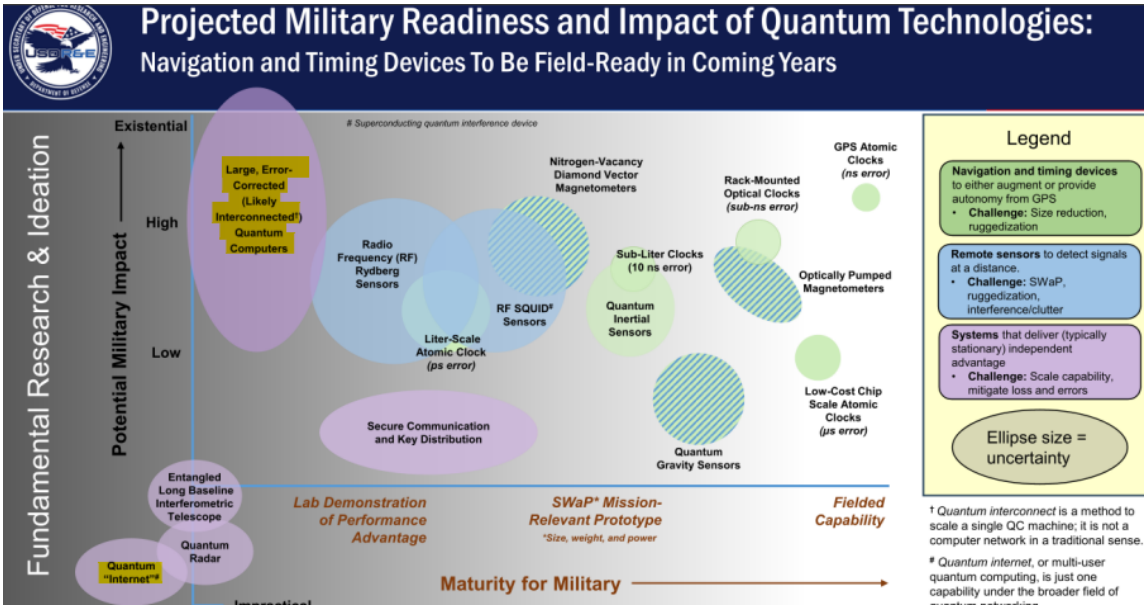
The FY 2026 budget and funding tables were released January 20th, and signed into law on February 3rd, and our review of those tables indicates that IONQ's main contract, its Ion Trap Quantum Computing earmark, was once again not renewed.

Nor was any additional money put towards the “Secure Quantum Computing Facility” earmark where some money had indirectly flowed to IONQ through the Universty of Maryland. What has reappeared is the Qubitekk earmark concerning “Quantum Entanglement Distribution.”

15	DOMINANT INFORMATION SCIENCES AND METHODS	187,036	297,036
	Program increase - advanced LiDAR for CUAS		16,000
	Program increase - agile, assured, and autonomous battle management network		9,000
	Program increase - air domain awareness for airspace safety, management and counter UAS effectiveness		5,000
	Program increase - dependable AI for national security		15,000
	Program increase - heterogeneously integrated photonics and electronic technologies		25,000
	Program increase - medium range advanced detection system		12,000
	Program increase - neutral-atom quantum networking and computing		5,500
	Program increase - photonic quantum computing		5,000
	Program increase - quantum entanglement distribution		12,500
	Program increase - quantum networking testbed and cloud computing environment		5,000

So, at some point later this year, it seems that Qubitekk may finally get the rest of the money for a contract IONQ announced in January 2025, allowing IONQ to finally break even on a contract they purchased for $22 million where the entity they purchased has generated no other material revenues since they purchased it. Of course, the real fly in the ointment for IONQ and its investors is that this table shows that once again, the Pentagon did not request funds for this Qubitekk project, the funding for it was initiated by some member of Congress at the behest of some lobbyist. So, what does the Pentagon really think of quantum?

In its roadmap published in 2025, the Pentagon made the following chart which shows the military readiness and potential impact of various quantum-related technologies. Quantum internet, which is one of the many things promoted and touted by IONQ, is almost off-the-charts (in a bad way). Quantum computers are at the lowest level of maturity, with the potential impact ranging from low to existential.



Seeing how immature Quantum computing is from the perspective of the Pentagon, it is easy to see how idiotic it would be for the Pentagon to back a specific horse, like IONQ. DARPA's approach, holding a competition that allows the best competitors to rise to the top, is a far better use of taxpayer resources in our view.

We should point out in the chart above that several types of atomic clocks are considered more mature technologies, which bodes well for Vector Atomics. However, there are plenty of atomic clock manufacturers; how many investors are choosing IONQ because it owns Vector Atomics, and vice versa?

In recent National defense strategy documents, the Pentagon reportedly removed most references to technology like quantum. Why does the lack of interest in IONQ matter?

These government contracts allowed IONQ's to claim that its quantum computing was commercially viable in a way that made them stand apart from Rigetti, D-Wave, and other quantum companies. It claimed these deals demonstrated "the strong market demand for IonQ's innovative quantum computing and networking products,"[55] attributing their success to market forces rather than political influence, which has now collapsed. And that now-unfunded, biggest contract in IONQ's history? Management claimed it shows "IonQ's trailblazing technology has grown quantum into a substantial global business."[56]

IONQ also used its rising amount of pork across the years, and the misleadingly inflated bookings from deceptive, unfunded options related to that pork, to give investors the impression of legitimate, organic growth—year after year. In April 2025, de Masi boasted to *Fox Business Network*, "We've got double the GAAP revenue in 2024 of everybody else combined."[57]

We think that without these contracts handed out via political favors, IONQ would never have been able to accelerate past its competitors in terms of traction with investors.

SKYT's Backdoor Earmark

In 2020, SKYT announced that it had licensed a technology from MIT and its Lincoln Laboratory. In this press release, it's referred to as a "radiation-hardened" "fully depleted silicon-on-insulator" process, or FDSOI, for microelectronics.[58]

This technology appears to correspond to a backdoor earmark in the Pentagon's budget for "radiation hardened fully-depleted silicon on insulator microelectronics." This item was proposed in FY 2025 but was cut from the CR that ultimately passed. In the FY 2026 budget, passed on February 3rd, 2026, it appears this earmark is back and funded for $34.2 million.

R-1		Mandatory	Budget Request	Final Bill
108	**TRUSTED & ASSURED MICROELECTRONICS**		**512,151**	**554,351**
	Program increase - advanced rad hard design			10,000
	Program increase - fusion linear accelerator for radiation hardening			10,000
	Program increase - next-gen gallium nitride (GaN) tech development for extremely high-frequency radiofrequency			10,000
	Program increase - radiation hardened fully-depleted silicon on insulator microelectronics			34,200
	Program increase - semiconductor manufacturing			10,000
	Program increase - university-based microelectronics national security workforce development			8,000
	Prior year underexecution			-40,000

As with other backdoor earmarks, we can see this money is added on above and beyond the Pentagon's budget request.

We therefore believe a significant incentive for IONQ to spend a whopping $1.8 billion on SKYT was to have a "new" Pentagon "win" of $34.2 million to announce at some point later this year, since no new quantum contracts from the Pentagon appear to be in the offing.

We Believe Insider Sales of $396.6 Million During Passage of The FY25 Budget Shows Management's Lack of Confidence in IONQ's Commercial Prospects, and May Have Been Illegal.

If there is anyone who would know how important IONQ's government contracts were for its core revenues and for the validation it gave the company's technology, it would be management and other insiders. And we think their recommendation for how investors should react to the loss of their secret earmarks is SELL; that, at least, is what they appear to have done.

On March 11th, the day the House passed a budget that excluded IONQ's secret earmarks, Peter Chapman, the ex-CEO and Executive Chair, sold $37.4 million in stock for his first discretionary sale ever. He and seven other executives, including the CEO de Masi, either sold or made 10b5-1 plans to sell $396.6 million in stock before March 15th, the day Trump signed the new budget into law. The CEO de Masi's 10b5-1 plan enabled him to sell $104.8 million in stock on June 11th.

As we discussed above, the funding tables allowing members of the public to potentially decipher IONQ's earmarks were not released until March 19th; we believe this lack of publicly available information about congressional funding would have made knowledge of the loss of IONQ's earmarks Material Non-Public Information (MNPI) until March 19th. Trading on MNPI in certain contexts can be considered a felony.

IONQ's loss of earmarks has never been publicly discussed. We think either this is the luckiest and most exquisite timing by a large group of insiders, trading in unison like a school of fish, or perhaps IONQ's insiders were tipped off by their lobbyists or friendly congressional staffers moving them to sell stock and arrange brand new 10b5-1 plans before any hint of what happened entered the public record. 10b5-1 plans used to protect insiders from allegations of insider trading, but recently tightened regulations require officers and directors to certify in writing that they do not possess MNPI when adopting a 10b5-1 plan. Did they possess MNPI? Was there any wrongdoing? We don't know. However, the circumstances here, in our opinion, are very ugly.

Will the DOJ or the SEC care at all about this? We will see. But in our view, the commercialization narrative IONQ has been spinning for years seems like a lot of bluster, built on secretively allocated tax dollars given out via political patronage. We think the wisest thing any investor can do is imitate management and sell this stock while it is still hot.

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[1] Total Revenues Recognized 2022-2024 for IONQ were $76.246 million. We calculate the total received from secret earmarks was $65.5 million, or 86%. This includes four earmarks for contracts totaling $59.89 million awarded directly to IonQ and acquiree Qubitekk, and $5.7 million awarded to IonQ by a former related party, the University of Maryland, from an earmark it received. The reader should be aware that while these funds appear to have been disbursed to IONQ from Q3 2022-Q4 2024, ***that some portion*** of these earmarked funds ***may not have been recognized as revenue*** until 2025. IONQ's 2024 10-k indicated that its unearned revenues as of Q4 2024 were $10.6 million (page F-5) that was all expected to be recognized as revenue in 2025 (because unearned revenues net of current portion was $0). If all the unearned revenues came from these secret earmarks, then we calculate the total revenues *recognized* for this period related to these secret earmarks would have been $54.9 million, or 72% of revenue. This potential variation is why we say we calculated *up to* 86% of revenues recognized for the period came from their secret earmarks. We learned this trick from promotional companies like IONQ, except the difference is we do provide a full explanation of what we mean.

[2] While there are plenty of euphemisms used to describe the nature of this funding mechanism, we are going to use the term "backdoor earmarks" that was used by Roll Call in their reporting on this type of funding that sprang up almost immediately after earmarks were theoretically banned during Obama's term. This is a type of funding where congresspeople and their staffs work with lobbyists to insert spending commands, adding extra unrequested money into the Pentagon's budget that theoretically is a competitive bid, but really is worded in such a way that it goes to a specific recipient. Part II discusses this process at length.

[3] See United States Senate Committee: "Committee Releases Conferenced Defense, Homeland Security, Labor, Health and Human Services, Education, and Related Agencies, and Transportation, Housing and Urban Development, and Related Agencies Bills" Go to: **Defense** Joint Explanatory Statement, page 217 in the pdf.

[4] What we are specifically referring to with inflated bookings relates to two contracts signed by the AFRL; one with IONQ directly, and another that the AFRL signed with Qubitekk a week before Qubitekk was acquired by IONQ. Both contracts contained an option (or "ceiling) that was far higher than the amount that was actually funded, as can be seen in the linked documents with the distinction between "action obligation" and "Total Contract Value." The action obligation is the amount funded, and the total contract value includes an unfunded option. Now, since bookings is such a squishy term, we don't necessarily think IONQ did anything wrong initially by including the total contract value in their bookings instead of using the more conservative amount funded; however, we think they ought to have explained this distinction to investors. We believe they had an obligation to notify investors when these options to increase funding were not exercised in 2025 because we think that investors erroneously believed that lots of revenue recognized in FY 2025 was attributable to these Pentagon contracts, when it really came from other sources. Not only did they not notify investors that these contracts went unfunded, but they also personally sold hundreds of million in stock while diluted investors for billions through capital raises and acquisitions.

[5] See de Masi at Morgan Stanley conference, March 5th.

> ***Joseph Moore***
> *Great. So just one quick financial question that we've been getting. You went away from bookings as a metric. Can you talk about why bookings aren't relevant really going forward?*
> ***Niccolo de Masi***
> *Sure, sure. Yeah. I mean, Peter Chapman has been raising this with our Board and myself for at least a couple of years. And to quote him on the earnings call last week, he said we're going to be doing nine figures of GAAP revenue certainly next year. This year's guidance is $75 million to $95 million. And he sort of keeps asking when we're going to take the training wheels off.*

[6] See transcript from Q2 Earnings Call in Q&A response to analyst from Quinn Bolton (emphasis in bold added):

> ***Analyst***
> *Congratulations on all the progress again this quarter. I guess I wanted to start with the revenue that came in better than expected. That's great to see. You guys are diversifying the revenue stream now with the Quantum Key Distribution, quantum networking efforts.* ***And I was wondering if you could give us some***

sense how much revenue are you starting to generate from the non-quantum computing efforts in the business*? And then I've got a follow-up.*

Niccolo Mcleod de Masi

So thank you for those words and a great question. We are continuing to deliver on our plans for the year, and ***the beat on this quarter was primarily due to 2 projects for existing customers where we've been able to accelerate the pace of implementation****.*

Analyst

And were those mostly on the quantum computing side? Or could that include like the Air Force Research Lab on quantum networking? *Just some sense on the mix. Is it still predominantly quantum computing?*

Niccolo Mcleod de Masi

It's an excellent question. But as we've said in previous quarters, many of these projects, in particular, the AFRL one contains both sides of the coin. It's quantum computing and networking

[7] The House vote and Senate vote occurred on March 11th and 14th respectively, with the bill signed by Trump on the 15th. The reason IONQ's loss of funding was not public information is because their name was never mentioned in the bill, the tables showing the appropriations for this specific bill were not made public until sometime after the bill was passed and signed, March 19th is in our opinion the earliest possible date where an exceptionally well informed member of the public could have deciphered IONQ's loss of funding. However, we will also point out that due to the secretive way these earmarks are made, as discussed elsewhere, the public never **really** discovered IONQ's loss of funding because the true source (earmarks) was never revealed.

[8] See SECFORM4.COM for Peter Chapman, as can be seen on that page, Chapman had 8 sales prior to this discretionary sale. All prior sales had the following statement on their form: "Represents the number of shares required to be sold to cover the statutory tax withholding obligations in connection with the vesting of restricted stock units. This sale is mandated by the Issuer's election under its equity incentive plans to require the satisfaction of minimum statutory tax withholding obligations to be funded by a "sell to cover" transaction and does not represent a discretionary sale by the Reporting Person."

[9] We calculated this total by examining all the Form 4s listed for IONQ insiders listed on SECFORM4.COM. First, we included any non-discretionary sales that were done from March 11th-14th, as well as any Form 4s that specifically stated that the sale was made pursuant to a 10b5-1 plan adopted from March-11th-14th. Our results are pictured below ($396.6 million).

IONQ INSIDER	Title	FORM 4s						TOTAL Sales
Peter Hume Chapman	Executive Chair	$ 37,446,600	$ 170,943,138	$ 59,789,126				$ 268,178,864.00
Niccolo de Masi	President and CEO	$ 104,793,280						$ 104,793,280.00
Thomas Kramer	Former CFO	$ 8,232,430	$ 3,042,396	$ 2,070,584	$ 2,264,720	$ 733,800	$ 2,700,859	$ 13,345,410.00
Inder Singh	Director/Current CFO	$ 1,699,873	$ 1,419,891					$ 3,119,764.00
Rima Alameddine	Chief Revenue Officer	$ 2,506,725	$ 2,078,100					$ 4,584,825.00
Wendy Thomas	Director	$ 658,297						$ 658,297.00
Robert Cardillo	Director	$ 404,578						$ 404,578.00
Kathryn Chou	Director	$ 1,039,768	$ 230,900	$ 292,864				$ 1,563,532.00
Grand Total								$ 396,648,550.00

Here is screenshot example of one such form from Peter Chapman, the former CEO and Executive Chair filed on June 20th:

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (MM/DD/YY)	2A. Deemed Execution Date, if any (MM/DD/YY)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	06/20/2025		M[1]		1,497,311	A	$ 0.1334	1,887,640	D	
Common Stock	06/20/2025		S[1]		1,497,311	D	$ 39.931 [2]	390,329	D	

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.* , puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (MM/DD/YY)	3A. Deemed Execution Date, if any (MM/DD/YY)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (MM/DD/YY)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares				
Employee Stock Option (right to buy)	$ 0.14	06/20/2025		M[1]			1,497,311	[3]	05/16/2029	Common Stock	8,096,905	$ 0.1334	107,661	D	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Chapman Peter Hume C/O IONQ, INC. 4505 CAMPUS DRIVE COLLEGE PARK, MD20740	X		Executive Chair	

Signatures

/s/ Kevin Caimi, Attorney-in-Fact	06/20/2025
Signature of Reporting Person	Date

Explanation of Responses:

(1) The transactions reported on this Form 4 were effected pursuant to a Rule 10b5-1 trading plan adopted by the reporting person on March 14, 2025.

[10] See definition of insider trading from Cornell law: "Insider trading is the trading of a company's securities by individuals with access to confidential or material nonpublic information about the company." For those who don't know, insider trading can be considered a felony depending on the circumstances. To be perfectly clear, we are not claiming that IONQ's insiders committed a crime, we simply do not have enough information to make that sort of judgement. We are merely expressing our opinion that the relevant facts raise significant questions that management should answer.

[11] This is a sincere question, we do not know the answer. Hopefully management will provide some explanation that the public and investors can consider when making their own judgement.

[12] Street Insider

[13] See Management's description in the Q1 2025 earnings call:

> *We are all proud that in Q1,* ***we sold a Forte Enterprise system to EPB*** *of Chattanooga, Tennessee. EPB and its visionary CEO, David Wade, have been pioneers in bringing new technologies to their constituents. Most well-known, perhaps, is their blisteringly fast fiber, which was well ahead of its time and continues to provide the local economy with a foundation for growth.*
>
> *EPB already has a quantum network powered by our Qubitekk team.* ***Last month, EPB purchased half of the compute capacity of a Forte Enterprise system for $22 million****, bringing our latest quantum computer to their city and customers*

[14] See two requests from Chuck Fleischmann for funding. A $3.5 million request for the University of Tennessee to "establish within 12 months a Quantum Center connected to the EPB quantum network in Chattanooga." And a $4 million request directly for the EPB. The irony that this money was requested by a republican member of congress but appears to be flowing to IONQ, which received most of its Pentagon contracts via members of the Democratic party. It appears to us that these two earmarks were used for this quantum center.

[15] Through Q3 2025 IONQ has reported $62.2 million in revenues. IDQ and Capella accounted for $9 million and $9.6 million respectively. The remaining revenues, $43.6 is ostensibly from IONQ's quantum computing business. EPB accounting for $22 million would be ~50%. The remaining revenues recognized would include $10.6 million in unearned (deferred revenues) from 2024, leaving just $11 million attributable to quantum computing through Q3. The University of Maryland, a formerly related party, announced a $5.7 million contract in 2024 along with a $9 million contract renewal, we suspect this ended up accounting for a significant portion of FY 2026 revenue.

[16] Being a quantum pure play was their main selling point when coming public.

[17] See IONQ press release concerning Washington facility.

[18] We assume it ended because they were suing each other over fees. This case also allows us to see how Clark Street Associates receives a 5% commission on the awards it wins since it admitted as much in the answer. See SkyWater Technology Foundry, Inc. v. Clark Street Associates, LLC, 5_20-cv-03168, No. 1 (N.D.Cal. May. 8, 2020) and filing No. 16, page 2.

[19] This is just an estimate and is difficult to make because we have relatively limited information concerning Vector Atomics. Based on Q2 and Q3 10-Q disclosures we estimate IDQ will generate ~$6 million in revenues in Q4, and that Capella will generate ~$11 million in revenues. Vector Atomics primarily gets its revenues from government contracts. IONQ claimed at the time of the acquisition Vector had secured "$200+ million." We discovered $134 million in federal contracts directly with Vector Atomics so we assume that federal contracts awarded represent ~67% of revenue for any given period. The value of the federal contracts has consistently increased over the last several years From 2022-2024 they have had a 22% CAGR in federal contracts, which we used to project out numbers for 2025 and 2026. With these factors we anticipate total revenues for vector for 2025 to be $70-$80 million depending on numerous factors (growth rate etc…). This implies a $17.5-$20+ million in revenues for Q4 2025, which would likely be on the higher side as revenues grow throughout the year. We think a fair estimate is $20 million for Q4 2025. Total Revenues for Q4 for IDQ, Vector and Capella ~$37 million. Using the same method for FY 2026, we estimate total revenues of $88 million for Vector. IDQ we believe will remain at ~$24 million for the year. Capella will likely have more than $44 million in revenues (its current run rate). Adding up those estimates we arrive at $156 million. We also would estimate $4 million next year for the market intelligence business they paid $40.6 million for in Q2 2025. This puts a floor for our estimate of revenues for its non-quantum computing businesses (excluding SKYT) in at ~$160 million, with a high range of $180 million if growth for Capella, Vector, or its undisclosed market intelligence business outperforms.

[20] The FY 2026 budget includes $12.5 million set aside for the Quibitekk contract, we would expect a significant portion of that to be recognized in 2026. But also see IONQ 2024 10-k, unearned revenues, net of current portion (meaning unearned revenues expected to be earned more than 12 months out) was 0. We believe that means that none of the contracts won before December 31st, 2024 would be expected to be recognized as revenues under ASC 606 after December 31st, 2025 apart from the $12.5 million from the Quibitekk contract that will soon receive funding. Our understanding of the FDPS system is that the date the contract is signed is the day of remittance, unless the federal contract specifies a different date for payment (or "outlay"). Since no other date is provided on IONQ's various contracts for payment, we believe payment was made promptly once the agreements were signed. If payment were made promptly, we believe they would have appeared either as recognized revenues, or as unearned revenues under ASC 606.

[21] IONQ's 2024 10-k reveals the purchase happened on December 27th. As of Q3 2025 *"No summarized unaudited pro forma results are provided for the Qubitekk acquisition* ***due to the immateriality of this acquisition*** *relative to the Company's condensed consolidated financial position and results of operations"*

[22] See Scorpion Capital IONQ report, page 161. Bear in mind that you should read the disclaimer for Scorpion's report.

[23] The Qubitekk contract for $21.1 million was purchased by IONQ for $22 million. ~$9 million was paid by the AFRL in December 2024, and the remaining $12.5 million disbursement (earmarked in the FY 2026 budget) will likely not be paid until late September or early October 2026.

[24] See DoW Memo

[25] See discussion of QKD and PQC by the National Security Agency(NSA):

> *Synopsis*
> *NSA continues to evaluate the usage of cryptography solutions to secure the transmission of data in National Security Systems. NSA does not recommend the usage of quantum key distribution and quantum cryptography for securing the transmission of data in National Security Systems (NSS) unless the limitations below are overcome.*

[26] This roadmap is available on the wayback machine, see link, page 18 specifically

[27] See Bio available from DoW

[28] IDQ sells a QKD system, so clearly that is relevant, but get a load of this, when they purchased Capella, they pitched it as the start of a space-based QKD system.

[29] See video posted to X.

[30] See reporting on competition.

[31] It is not clear to us when Oxford Ionics became aware that they had passed the first round. It clearly was before IONQ purchased them and it may even have been before the announcement of the acquisition in June, though

DARPA did not award the money until July. We can see from IONQ's last recorded transaction with DARPA that the rest of the $1 million was paid on June 27th, with no option to increase it by another $5 million. In contrast, Oxford Ionics had their last federal funding record with DARPA in July and the option on that transaction shows the total value had increased to $6 million.

[32] For the amounts obligated (instead of earmarked since there is some small variation) we looked at FPDS for the amounts. Amount awarded from AFRL to IONQ in 2022 $13.4 million, in 2023: $25.5 million, and in 2024 $12 million. Qubitekk $9 million in 2024. The $5.7 million from University of Maryland is more indirect. The University of Maryland claims it was allocated $20 million "to support the construction of a new secure quantum computing facility at the Applied Research Laboratory for Intelligence and Security (ARLIS)." In August 2024 IONQ announced it had received $5.7 million for this facility. The second phase of this project could theoretically be worth up to $12 million. The FY 2026 budget did not include the provision typically associated with the University of Maryland. See footnote 1 supra for a discussion of the potential variation in revenue recognition.

[33] See Federal register limitation of funds, which we believe would be applicable.

[34] IONQ SEC 8-k, it appears from the PR announcing his departure that he was replaced effective immediately *"On February 26, 2025, the Board appointed Niccolo de Masi to serve as President and Chief Executive Officer of the Company, succeeding Peter Chapman effective as of February 26, 2025 (the "**Transition Date**")"*

[35] See article from Defense Systems Information Analysis Center.

[36] FY 2024, which was the last full Defense Appropriations Act passed by Congress.

[37] In government speak, these are called Research, Development, Test and Evaluation funds, or "RDT&E." For top-line spending numbers in FY 24, and FY 25 cuts, see the FY25 Continuing Resolution passed by Congress https://docs.house.gov/billsthisweek/20250310/CRFull_xml.pdf; for the slice making up "backdoor earmarks" anonymously directed by members of Congress, see data compiled by Taxpayers for Common Sense for FY 24 and FY 25, including at https://www.taxpayer.net/national-security/fiscal-year-2025-congressional-pentagon-budget-increases-for-the-full-year-cr/; specifically, see the TCS 2024 data set https://www.taxpayer.net/congressional-pentagon-budget-increases-fy24/ controlling for "Zero to Hero," the "Unfunded Priority" list, and the RDT&E "Bill Section".

[38] For anonymity data regarding lawmakers, see the same FY 24 data set and add a screen for "Sponsor(s)"; for a detailed discussion on the lack of transparency, see "Program Increases Are Backdoor Earmarks," contained in https://www.taxpayer.net/national-security/fiscal-year-2025-congressional-pentagon-budget-increases-for-the-full-year-cr/

[39] https://dair.nps.edu/bitstream/123456789/5160/1/SYM-AM-24-105.pdf

[40] Investigations of the process have highlighted that an initial award appears to be competitive in name only, while Congress itself declares all subsequent awards resulting from backdoor earmarks for the same company do not need to be competitively bid. See: https://rollcall.com/2023/05/23/hill-favored-projects-called-defense-budgets-black-hole/ and https://www.taxpayer.net/national-security/fiscal-year-2025-congressional-pentagon-budget-increases-for-the-full-year-cr/

[41] Hearing of the House Appropriations Committee, Commerce, Justice, Science, And Related Agencies Subcommittee, the National Science Foundation's Fiscal Year 2022 Budget Request, April 14, 2021. Youtube: The National Science Foundation's Fiscal Year 2022 Budget Request (EventID=111427)

[42] https://lda.senate.gov/filings/public/filing/8906e7c0-5f40-4322-82b1-860761d4e323/print/#:~:text=Effective%20Date%20of,4/15/2021, with later filings indicating it was specifically lobbying on Defense Appropriations.

[43] https://web.archive.org/web/20210205031820/https:/www.clarkstreetassociates.com/

[44]https://lda.senate.gov/filings/public/filing/search/?registrant=&registrant_country=&registrant_ppb_country=&client=IonQ&client_state=&client_country=&client_ppb_country=&lobbyist=&lobbyist_covered_position=&lobbyist_conviction_disclosure=&lobbyist_conviction_date_range_from=&lobbyist_conviction_date_range_to=&report_period=&report_year=&report_dt_posted_from=&report_dt_posted_to=&report_amount_reported_min=&report_amount_reported_max=&report_filing_uuid=&report_house_doc_id=&report_issue_area_description=&affiliated_organization=&affiliated_organization_country=&foreign_entity=&foreign_entity_country=&foreign_entity_ppb_country=&foreign_entity_ownership_percentage_min=&foreign_entity_ownership_percentage_max=&search=search

[45] Skywater Technology Foundry Inc. v Clark Street Associates, LLC, 5:20-cv-03168-BLF, U.S. District Court for the Northern District of California, Document 16, paragraph 10; it's important to note this was not a contract with IONQ, but rather appeared to represent its standard arrangement, as IONQ's payments were passed through to lobbyists, according to lobbying records.

[46] https://www.clarkstreetassociates.com/recent-wins
[47] https://www.fec.gov/data/receipts/individual-contributions/?contributor_name=de+masi%2C+Niccolo
[48] https://x.com/NiccoloDeMasi/status/1351749391539986435
[49] https://tenney.house.gov/media/press-releases/congresswomen-tenney-and-stefanik-seek-funding-bolster-research-air-force#:~:text=IonQ%E2%80%99s%20Ion%20Trap%20Quantum%20Computer
[50] We believe it is unlikely these two lawmakers initiated this earmark, as these were just lists of AFRL projects, with the vast majority of the funds going to companies in other districts, including IONQ. In addition, IONQ's strongest backers on the Hill began publicly revealing themselves the following year.
[51] The University of Maryland reported in March 2024 that it received $20 million "to support the construction of a new secure quantum computing facility" which was awarded through a backdoor earmark. See: https://govrelations.umd.edu/news/congress-passes-remaining-six-appropriations-bills-into-law-impacting-student-aid-and-federal-research-funding#:~:text=%2420%20million%20to%20support%20the%20construction%20of%20a%20new%20secure%20quantum%20computing%20facility%20at%20the%20Applied%20Research%20Laboratory%20for%20Intelligence%20and%20Security%20(ARLIS). The previous year, it had received an additional $20 million for the same project, also from an earmark. In August, IonQ confirmed that UMD gave it $5.7 million from this pot, with a potential second phase award of up to $12 million. See: https://ionq.com/news/ionq-awarded-ground-breaking-quantum-computing-contract-with-applied,
[52] https://ionq.com/news/ionq-announces-new-usd25-5m-quantum-deal-with-united-states-air-force
[53] https://ionq.com/news/ionq-awarded-ground-breaking-quantum-computing-contract-with-applied#:~:text=Rep.%20C.A,the%20Appropriations%20Committee. (https://ionq.com/news/ionq-awarded-ground-breaking-quantum-computing-contract-with-applied)
[54] Metadata shows the TCS tables were made by a GOP Senate Appropriations staffer on March 19th, 2025
[55] https://www.businesswire.com/news/home/20250113870913/en/IonQ-Announces-New-%2421.1-Million-Project-with-United-States-Air-Force-Research-Lab-AFRL-to-Push-Boundaries-on-Secure-Quantum-Networking
[56] https://www.businesswire.com/news/home/20240927268921/en/IonQ-Announces-Largest-2024-U.S.-Quantum-Contract-Award-of-%2454.5M-with-United-States-Air-Force-Research-Lab
[57] https://www.foxbusiness.com/video/6371529659112
[58] See announcement by SkyWater

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