

EXHIBIT 16

Bogus analysis led to terror alert in Dec. 2003

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CIA experts saw a secret code on Al-Jazeera that wasn't there

By

Lisa Myers, Aram Roston and the NBC Investigative Unit

NBC News Investigative Unit
updated 6/27/2005 8:10:57 PM ET

WASHINGTON — Christmas 2003 became a season of terror after the federal government raised the terror alert level from yellow to orange, grimly citing credible intelligence of another assault on the United States.

"These credible sources," announced then-Secretary of Homeland Security Tom Ridge, "suggest the possibility of attacks against the homeland around the holiday season and beyond."

For weeks, America was on edge as security operations went into high gear. Almost 30 international flights were canceled, inconveniencing passengers flying Air France, British Air, Continental and Aero Mexico.

But senior U.S. officials now tell NBC News that the key piece of information that triggered the holiday alert was a bizarre CIA analysis, which turned out to be all wrong.

CIA analysts mistakenly thought they'd discovered a mother lode of secret al-Qaida messages. They thought they had found secret messages on Al-Jazeera, the Arabic-language television news channel, hidden in the moving text at the bottom of the screen, known as the "crawl," where news headlines are summarized.

'Steganography' suspected

U.S. officials tell NBC News that CIA experts — technicians working for the Directorate of Science and Technology — thought they had found numbers embedded in the crawl signaling upcoming attacks; dates and flight numbers, and geographic coordinates for targets, including the White House, Seattle's Space Needle, even the tiny town of Tappahanock, Va. What the analysts thought they had found was something called "steganography" — messages hidden inside a video image.

President Bush and Ridge were briefed on the Al-Jazeera analysis, U.S. intelligence sources say.

[In an exclusive interview with NBC News, Ridge defended the government's actions, although he called the intelligence analysis "bizarre, unique, unorthodox, unprecedented."](#)

"Maybe that's very much the reason that you'd be worried about it, because you hadn't seen it before," recalls Ridge.

He says the administration had to take the suspected terror messages seriously, although "speaking for myself I've got to admit to wondering whether or not it was credible."

Was he himself skeptical?

"Yeah, we weren't certain," says Ridge. "Still, in the context of everything else (intelligence chatter and a terror attack in Saudi Arabia), we could not set it aside and dismiss it as not credible."

So the United States raised the alert level and canceled flights.

Critics question evaluation of the evidence

"I'm astonished," says author and intelligence expert Jim Bamford, "that they would put so much credibility in such a weak source of intelligence."

Bamford says the CIA shouldn't be criticized for considering the theory, but that analysts should have weighed how implausible it was.

"What you have to do is judge the intelligence versus what your actions are going to be. And this is the equivalent, basically, of looking at tea leaves," Bamford says.

Intelligence sources say that even within the CIA, the analysis was a closely guarded secret. Still, they say, some top CIA officials who learned about it were skeptical. Top officials at the Directorate of Operations, which conducts clandestine operations, and others who worked at the CIA Counterterrorism Center, felt that the whole theory was implausible and was being taken far too seriously.

As discredited as the CIA's interpretation now is, experts say steganography is a valid subject for CIA analysis, and could be used by terrorists to hide data in files on the Web, in still photographs or in broadcast television images.

"Steganography," says professor Nasir Memon of Polytechnic University in Brooklyn, N.Y., "is the art, if you will, of secret writing. And when two parties want to talk to each other and not let anybody know they are indeed communicating, they would use steganography."

Memon is an expert in "steganalysis" — using sophisticated software to locate hidden messages. He says such analysis is valuable but not always reliable, because there are many "false positives." In general, he says, "it's not something I would bet the farm on because there is a significant chance that it could be wrong."

TV networks commonly hide digital "watermarks" in their video broadcasts, a legitimate use of video encoding to pass along innocuous digital information. The CIA's Al-Jazeera analysis is classified, and it is still unclear exactly what the CIA technicians were looking for in the network's "crawl."

Ridge stands by alert

Regardless, Ridge told NBC News that the CIA analysis certainly did turn out to be wrong. He confirms there were no secret terror messages. He also says there was no evidence that terrorists were actively plotting against aviation at the time.

But Ridge insisted it was not a mistake to raise the alert level or to cancel the flights.

"I think it was the right thing to do," he said.

Even if raising the alert level frightened a lot of people?

"We acted accordingly based on our best information and best conclusions and the information that we had at the time," Ridge said.

Ridge added that the faulty CIA analysis was a significant factor in raising the alert level, but not the only factor.

As for the CIA, a spokeswoman would not confirm or deny this report, but said it's the "agency's job to run all plausible theories to the ground, especially when American lives could be at risk."

Lisa Myers is NBC's senior investigative correspondent and Aram Roston is an NBC investigative producer.

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POLITICS AND POLICY

Nevada Company's Capitol Ties

Defense Contractor Paid Gov. Gibbons's Wife For Consulting Work

By JOHN R. WILKE

Updated March 30, 2007 12:01 a.m. ET

The wife of Nevada Gov. Jim Gibbons was hired as a consultant to a defense contractor at the same time that her husband, who was then a member of Congress, helped the company get funding for a no-bid federal contract.

Dawn Gibbons got about \$35,000 in consulting fees in 2004 from Sierra Nevada Corp., of Sparks, Nev., the company said. Mr. Gibbons, a five-term Republican who served on the armed services and intelligence committees, sought funding that year for Sierra Nevada for a \$4 million contract to develop a helicopter radar-landing system.

The consulting fees paid to Mrs. Gibbons could draw new scrutiny from federal investigators already examining ties between Mr. Gibbons and another Nevada defense contractor, eTreppid Technologies, and Warren Trepp, its majority owner. Mr. Trepp, a big campaign contributor to Mr. Gibbons, is former chief trader for collapsed junk-bond dealer Drexel Burnham.

A federal grand jury in Washington has begun to issue subpoenas for documents, according to witnesses contacted in recent weeks. The case arose after a former business partner sued Mr. Trepp over the ownership of valuable software algorithms; he also alleged that the congressman helped eTreppid win secret defense contracts and that Mr. Trepp gave Mr. Gibbons gifts including private jet flights, a Caribbean cruise and casino chips, in addition to \$90,000 in campaign contributions through firms he controls.



Nevada Gov. Jim Gibbons and his wife, Dawn, celebrate after the governor's inaugural oath of office at the state capital in January.

Mr. Gibbons and Mr. Trepp have denied the claims or have said that the gifts weren't improper because of their long personal friendship. Mr. Gibbons has said that he will cooperate with any inquiry.

A spokeswoman for the governor said that his work in Congress to help Sierra Nevada and eTreppid was part of a broader effort to back Nevada companies that were contributing to national defense. She said these efforts had the support of other members of the Nevada congressional delegation, including Sen. Harry Reid, a Democrat who is now Senate Majority Leader.

"The funding requests for Sierra Nevada were in no way connected to the first lady's small contract with them," said Melissa Subbotin, the governor's spokeswoman.

An executive with Sierra Nevada, Renee Velasco, said the contract with Mrs. Gibbons was for a market survey and demonstration of a hand-held emergency-communications device for sale to casinos and state and local governments; the effort was ended in December 2004. She said the contract didn't present a conflict of interest. "Everything was done by the book," she said.

DEFENSE CONTRACT

- What's News: The wife of Nevada Gov. Jim Gibbons was a consultant for Sierra Nevada, a defense contractor that got federal work with the help of her husband.
- The History: Before becoming governor this year, Mr. Gibbons was a member of Congress, on the House armed services and intelligence committees.
- What's Ahead: Federal investigators, already examining ties between Gov. Gibbons and another Nevada defense contractor, eTreppid Technologies, may study the Sierra Nevada situation.

Abbe David Lowell, a defense attorney recently hired by Gov. and Mrs. Gibbons, said the governor's wife "had a pre-existing relationship" with Sierra Nevada that began long before Mr. Gibbons was elected to Congress and had "no knowledge" of the federal contract. In a statement, Mr. Lowell said Mrs. Gibbons was asked by the company to help launch a pilot project to promote one of its products. Mrs. Gibbons spent "numerous hours setting up meetings, large press conferences and pilot demonstrations, as well as providing advice," according to the

statement.

Still, the payments are likely to draw critics in Washington and Carson City, the state capital. "Having a family member on the payroll of a company that benefits from a congressman's actions is a poster-child conflict," said Ryan Alexander, president of Taxpayers for Common Sense, a Washington nonprofit that studies special-interest spending. She said that Mr. Gibbons "obviously should have recused himself" from seeking federal appropriations for any of his wife's clients.

One of the military contracts that Sierra Nevada got in 2004 was \$2 million for research on a "helicopter autonomous landing system," to help pilots land in "brownouts" of blowing sand, a technology several firms were seeking to develop for the Pentagon. House records indicate that Mr. Gibbons asked for \$4 million, and got \$2 million in the final bill. In a June 22, 2004, news release, he hailed the project and a separate \$3 million for eTreppid as "cutting-edge technology being developed in Nevada to improve our defense systems."

In the next fiscal year, the helicopter program gained the support of Sen. Reid as well, and funding rose to \$7 million, House records show. Sierra Nevada also was a contributor to Sen. Reid. In a statement, a spokesman for Mr. Reid said that Sierra Nevada is a large employer in his state and he is "proud to have supported" its work.

Sierra Nevada and eTrepid also got classified contracts that aren't individually listed in congressional spending legislation. Internal documents and emails reviewed by The Wall Street Journal show business ties between the two companies between 2003 and 2005, including a subcontracting relationship on some of the classified work; its details aren't disclosed in the documents.

The 2004 payments by Sierra Nevada to Mrs. Gibbons, a former Nevada state legislator, were made through Politek Inc., a political and public-relations consulting firm she created in 2003 after her last session in the state assembly. "Someone has to make some money in this family," she said in a newspaper interview at the time. Her husband's take-home House salary was only \$7,400 a month, she said.

Politek's biggest client: her husband's 2004 congressional campaign, which paid Politek \$93,424. A second client, Education First, a nonprofit group set up by Mr. and Mrs. Gibbons, paid Politek an additional \$18,000. In the Sierra Nevada contract, Mrs. Gibbons received payments of \$2,500 a month between November 2003 and December 2004.

The appearance of a second Nevada contractor, Sierra Nevada, with ties to Mr. Gibbons marks a turn in a case that has drawn national attention because some contracts at issue were part of the classified "black budget," which faces little scrutiny.

The case also had a cameo role in the controversy over the firing of eight U.S. attorneys late last year, including Daniel Bogden, the U.S. attorney in Nevada.

Some Democrats have charged that Mr. Bogden may have been fired for investigating Mr. Gibbons. However, Mr. Bogden wasn't involved in the Gibbons probe, which was initiated by prosecutors in Washington, according to witnesses contacted by the government in the course of the investigation. Mr. Bogden's office was investigating Mr. Trepp's claim of trade-secret theft against Mr. Trepp's former business partner, software designer Dennis Montgomery, who first raised corruption allegations against Mr. Gibbons.

A federal judge in Reno ruled earlier this month the investigation of Mr. Montgomery, overseen by Mr. Bogden, amounted to improper use of criminal authority in a civil business dispute. He also unsealed an earlier ruling which found that U.S. officials in Nevada had acted "with callous disregard for Mr. Montgomery's constitutional rights" and that an FBI agent was an "unwitting pawn" of Mr. Trepp and an Air Force official who urged the FBI to raid Mr. Montgomery's home.

Write to John R. Wilke at john.wilke@wsj.com

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November 3, 2008

Governor of Nevada Is Cleared in an Inquiry on Gifts, His Lawyer Says

By [RANDAL C. ARCHIBOLD](#)

Gov. [Jim Gibbons](#) of [Nevada](#) has been cleared by the Justice Department of any wrongdoing in connection with an inquiry into whether he helped a friend win military contracts in exchange for gifts, Mr. Gibbons's lawyer said.

The lawyer, [Abbe D. Lowell](#), said the lead prosecutor in the case informed him on Friday that no charges would be filed and that the investigation, related to Mr. Gibbons's work as a congressman before he was elected governor in 2006, had been closed.

A Justice Department spokeswoman, Laura Sweeney, said the department would not comment.

Mr. Lowell said that Mr. Gibbons, a Republican whose first term as governor has been dogged by legal, political and personal troubles, would make a statement on Monday.

The investigation spanned 18 months, Mr. Lowell said, and began when a former staff member of a technology company run by a friend of the governor made accusations of influence peddling.

The former staff member, Dennis Montgomery, told news media outlets that his boss, Warren Trepp, the owner of eTreppid Technologies, had given Mr. Gibbons money, casino chips and a Caribbean cruise to help eTreppid win military contracts.

Mr. Lowell called the accusations "ridiculous" and "hogwash" and said, "The governor does not even gamble."

"Neither the governor nor I," Mr. Lowell added, "have any problem with the Justice Department having to investigate allegations, even if they are crazy, because he is a high-ranking public official and he knows the world he lives in.

"They handled it in a way and a speed that was up to them. Though we wish it were sooner, they came to the right conclusion."

Mr. Lowell said Mr. Gibbons had cooperated in the investigation and in recent months had been interviewed by [Federal Bureau of Investigation](#) agents.

The investigation, Mr. Lowell said, might have been slowed by a civil lawsuit between Mr. Montgomery and eTrepid, which was settled last month.

Blxware LLC, the company where Mr. Montgomery now works, said the terms of the settlement were confidential, but the company, based in Bellevue, Wash., disclosed that the agreement included a payment to Mr. Trepp as “compensation for certain allegations” made against him in the news media. Blxware was a party in the lawsuit.

The closing of the investigation provides welcome news to Mr. Gibbons in a trying period.

A former cocktail waitress filed a lawsuit against him last month, alleging that he pushed her and threatened to rape her after a night of drinking in Las Vegas just before the November 2006 election. Mr. Gibbons denied the accusation, and criminal charges were not filed.

Mr. Gibbons, 63, and his wife, Dawn, 54, began divorce proceedings this year after 22 years of marriage. The news media in Nevada have made much of her accusation of adultery and the disclosure of hundreds of [text messages](#) he sent to a woman he has said was a friend but who Ms. Gibbons’s lawyers suggest was a mistress.

A state employee filed a lawsuit last month claiming that she was removed from her post on the belief that she had leaked the messages.

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NeV. governor may sue accuser over federal probe

Posted 11/3/2008 10:35 PM | Comment | Recommend

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By **Brendan Riley**, Associated Press Writer

CARSON CITY, Nev. — Nevada Gov. Jim Gibbons, cleared by the Justice Department in a corruption investigation that clouded half of his first term, said Monday his "thoughts remain open" to suing the person whose accusations led to the probe.

The investigation of the former Republican congressman involved claims that he improperly received gifts from a software company that received military contracts while he was in Congress.

The allegations proved to be "baseless, and there's not a shred of evidence that I did anything wrong," Gibbons said at a news conference.

"This certainly took a lot longer than I wanted to be resolved. I wish it would have been resolved a year ago, two years ago," he said. "But this is good news, and it doesn't matter to me when the good news comes, even a day before an election."

His attorney, Abbe Lowell, of Washington, said Sunday that the Justice Department told him Gibbons wouldn't be charged. A law enforcement official close to the case, who spoke anonymously because authorities never officially acknowledged the probe, confirmed the substance of Lowell's statement.

Gibbons, who was elected governor in 2006 after five terms in Congress, had steadfastly denied any wrongdoing despite claims by Dennis Montgomery that eTrepid Technologies LLC founder Warren Trepp lavished Gibbons with money and a Caribbean cruise in exchange for help winning contracts for his company.

Montgomery's credibility was put in doubt after a computer expert questioned the authenticity of e-mails Montgomery claimed proved Gibbons was accepting gifts.

Gibbons said defending himself against the allegations cost about \$200,000 in legal fees. He had to solicit contributions to help cover those costs.

Asked if he would consider suing Montgomery now that the Justice Department and FBI have ended the investigation, Gibbons said: "You know, some days you're harmed and the doors to the courthouse should remain open. And let me say that my thoughts remain open."

An attorney for Montgomery, Mark Gunderson in Reno, didn't return a call seeking comment Monday.

The governor said he had been the target of "bogus charges trumped up by certain biased individuals," mentioning the eTrepid case as well as a claim by a state Democratic Party official that he pressured a county assessor to get an unwarranted property tax break.

A state Ethics Commission panel concluded in September that there was no evidence to support the tax break claim.

Along with the federal investigation, Gibbons has seen his approval ratings drop following a budget crunch, a messy divorce that is still pending and lawsuits involving his private and public activities.

Gibbons still faces a lawsuit from a woman claiming he threatened to rape her. He's also being sued by a government staffer who claimed she was forced from her job because he thought she was leaking information about his personal use of a state cell phone.

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Posted 11/3/2008 10:35 PM

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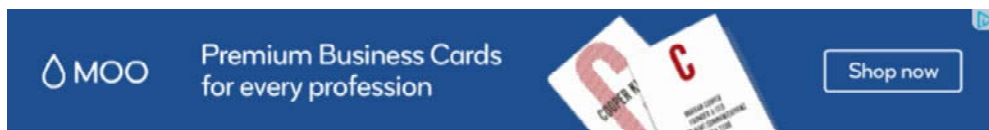


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The Nevada gambler, al-Qaida, the CIA and the mother of all cons

Chris McGreal in Washington

Wednesday 23 December 2009 16.47 EST

The intelligence reports fitted the suspicions of the time: al-Qaida sleeper agents were scattered across the US awaiting orders that were broadcast in secret codes over the al-Jazeera television network.

Flights from Britain and France were cancelled. Officials warned of a looming "spectacular attack" to rival 9/11. In 2003 President Bush's homeland security tsar, Tom Ridge, spoke of a "credible source" whose information had US military bracing for a new terrorist onslaught.

Then suddenly no more was said.

Six years later, Playboy magazine has revealed that the CIA fell victim to an elaborate con by a compulsive gambler who claimed to have developed software that discovered al-Jazeera broadcasts were being used to transmit messages to terrorists buried deep in America.

Dennis Montgomery, 56, the co-owner of a software gaming company in Nevada, who has since been arrested for bouncing \$1m worth of cheques, claims his program read messages hidden in barcodes listing international flights to the US, their positions and airports to be targeted.

The CIA took the information seriously, working with Montgomery at his offices and paying him an undisclosed amount of money. The "intelligence" Montgomery claimed to have found was passed on to the White House and homeland security where it kickstarted an alert that bordered on panic.

According to Playboy, Montgomery's claims caused the cancellation of British Airways and other flights supposedly mentioned in the codes.

Some officials were not at all surprised to hear the allegation that al-Jazeera was involved. The then defence secretary, Donald Rumsfeld, later vilified the station for "vicious, inaccurate and inexcusable" reporting of the US invasion of Iraq.

For months, the source of the information was kept under wraps within the CIA but once it became more widely known in the agency it immediately came under question. Playboy quotes one former counterterrorism official who attended a briefing on the source as being furious. He said: "I was saying: 'This is crazy. This is embarrassing.' They claimed they were breaking the code, getting latitude and longitude, and al-Qaida operatives were decoding it. They were coming up with airports and everything, and we were just saying: 'You know, this is horseshit!' "

Frances Townsend, a homeland security adviser to Bush, defended the decision to work with Montgomery. "It didn't seem beyond the realm of possibility. We were relying on technical people to tell us whether or not it was feasible. I don't regret having acted on it," she told Playboy.

But the doubts began to prevail as Montgomery refused to reveal how he was finding the barcodes, when no one else could, and he demanded \$100m for the software. The CIA also began to wonder why al-Qaida didn't use emails and web pages to communicate with its agents.

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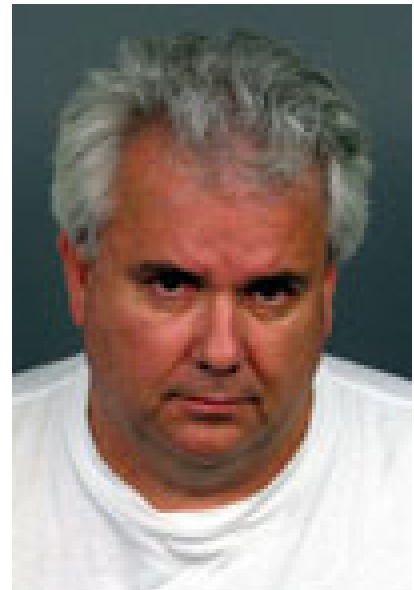
Man that accused Governor Gibbons arrested

July 22, 2009
8:55 PM MST



Dennis Montgomery, the man who accused Nevada Governor Jim Gibbons of taking bribes has been arrested. Montgomery was arrested on July 16 near Palm Springs California. Clark County authorities issued a warrant for his arrest back in June, for allegedly passing around \$1 million worth of bad checks at Caesars Palace back in 2008. Montgomery a 56 year old software designer who sparked controversy along with a federal investigation into whether Gov. Gibbons took bribes.

In the warrant which alleges he spent a total on nine checks, among the nine checks was one for \$250,000. He now has to answer one count of obtaining money under false pretenses and one count of theft. Montgomery was able to post bail on Tuesday night and was subsequently released from the Robert Presley Detention Center in Riverside, California.



Dennis Montgomery

He is on the docket to be arraigned in a Las Vegas court on August 17th. He has not responded to e-mails or phone calls seeking a comment. Montgomery is a former chief technical officer for the Reno-based software company e Treppid. E Treppid is a company who has won military contracts for video compression and target recognition software.

During Gibbons reelection bid back in 2006, Montgomery accused the governor of accepting bribes from e Treppid, to help them secure the military contracts they were then awarded. Court papers showed that he alleged the governor took \$100,000 worth of casino chips and cash during a week long cruise in the Caribbean.

Later in 2007, the FBI opened an investigation into the bribe allegations. The Department of Justice also investigated the allegations and subsequently cleared the governor of any wrong doing. Reports of Montgomery having a gambling problem first surfaced back in 2006, after the federal government and the United States Air Force began investigating him as part of an investigation they were doing into economic espionage and intellectual property claims.

Warren Trepp, who is Montgomery's former business partner, told authorities back in 2006 that Montgomery borrowed somewhere north of \$1.3 million. The money was in part to pay off casino debts Montgomery had incurred in the amount of \$300,000. This is according to OSI, the Air Force's Office of Special Investigations. When Tripp made the allegations against Montgomery, the two were locked in a dispute over the ownership of e Treppid software that was being used by the military.

E Treppid was awarded a no-contract bid for a maximum value of \$30 million dollars for some of its software. The software was supposed to help unmanned drones, similar to the Predator drone find images on the battlefield. How ever the military never renewed the contract because they said the technology simply did not work.

For more information contact: Ruben Christopher, e-mail: ruben.christopher@ymail.com





Ruben Sarmiento

Clark County Liberal Examiner

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news.com.au Technology

Playboy undercover with Dennis Montgomery, who 'fooled CIA over Al-Jazeera codes

BY: BY STAFF WRITERS AND WIRES

FROM: AFP

DECEMBER 22, 2009 9:10AM

17 COMMENTS



Playboy magazine's expose on CIA scam / Image supplied

- Man claims to have conned CIA
- Claimed messages hidden in Al-Jazeera
- Report contained in Playboy expose

PEOPLE who say they read Playboy magazine for the articles might be telling the truth, after it published an account of an elaborate scam that had the CIA believing Al-Jazeera was sending coded messages for Al-Qaeda.

The con artist convinced the CIA and other US agencies that he could decode secret messages sent by al-Qaeda through Al-Jazeera broadcasts in 2003, [Playboy magazine reported](#). Duped by claims that "bar codes" on Al-Jazeera television contained targeting information for al-Qaeda attacks, former president George W. Bush's administration raised the terror alert and cancelled several transatlantic flights in December 2003, the report said, citing former CIA officials.

The swindler at the centre of the scam was Dennis Montgomery, head of a small software company in Reno, Nevada.

He persuaded the Central Intelligence Agency and the Department of Homeland Security that his technology could decipher messages with flight numbers and longitudes and latitudes meant for al-Qaeda operatives. With assistance from French intelligence, CIA officials eventually concluded there were no secret messages in Al-Jazeera television broadcasts, said the report, published in the magazine's latest edition.

"A branch of the French intelligence services helped convince the Americans that the bar codes were fake," it said.

CIA and French officials asked another technology company to find or re-create codes from Al-Jazeera transmissions and "found definitively that what Montgomery claimed was there was not," it said.

But even after the CIA stopped cooperating with Mr Montgomery, he succeeded in convincing other government agencies that he had valuable code-breaking technology.

In January 2009, he signed a \$US3 million (\$3.39 million) research contract with the US Air Force, according to

Playboy.

"We were testing some of the software. We were just looking at it to see if there was anything there," Joseph Liberatore, an Air Force program manager, told the magazine.

Mr Montgomery has faced a number of lawsuits and last year was charged with bouncing nine checks worth a total of one million dollars in Las Vegas.

Playboy ran the story online with a gallery of "military-themed nude pictorials".

- with AFP



Software fraudster 'fooled CIA' into terror alert

Spooks 'f*cking livid'

24 Dec 2009 at 11:58, [Christopher Williams](#)

98

63

A con man fooled US spooks into grounding international flights by selling them "technology" to decode al-Qaeda messages hidden in TV broadcasts, it's claimed.

A long and highly entertaining [Playboy](#) article explains that in 2003, 50-year-old Dennis Montgomery was chief technology officer at Reno, Nevada-based eTrepid Technologies. The firm began as a video compression developer, but Montgomery took it in new and bizarre directions.

He reportedly convinced the CIA that he had software that could detect and decrypt "barcodes" in broadcasts by Al Jazeera, the Qatari news station.

The Company was apparently impressed enough to set up its own secure room at the firm to do what Montgomery called "noise filtering". He somehow produced "reams of data" consisting of geographic coordinates and flight numbers.

In December 2003, it's claimed CIA director George Tenet was sufficiently sold on Montgomery's data to ground transatlantic flights, deploy heavily armed police on the streets of Manhattan and evacuate 5,000 people from the Metropolitan Museum of Art.

Homeland Security secretary Tom Ridge told the press the terror alert was the result of "credible sources - about near-term attacks that could either rival or exceed what we experienced on September 11".

In fact, according to evidence from his former lawyer, Montgomery, the "credible source", was a "habitual liar engaged in fraud".

Montgomery worked with the CIA's Directorate of Science and Technology - its Q Branch - engaged in exotic research and intelligence gathering. According to [Playboy](#), one counter-intelligence official briefed on the programme said: "We were fucking livid. I was told to shut up. I was saying, 'This is crazy. This is embarrassing.'"

Eventually a branch of French intelligence helped the CIA prove that the Al Jazeera "messages" never existed. Files were handed over to counter-intelligence to investigate the scam.

The FBI uncovered a series of frauds by Montgomery, who was a compulsive gambler. As well as his "noise filtering" technology, he had rigged video software to convince officials it could detect weapons.

Following a dispute with eTrepid's financial backer, Montgomery took off with his "technology" and tried to win more government contracts alone. By now though, the officials he was trying to sell to were part of the FBI investigation. It reportedly "went nowhere", however.

By 2008, the financial dispute had come to court. Montgomery said he was still doing classified government work, for \$3m. In June this year however, his gambling led to personal bankruptcy, listing his still-classified "technology" as a \$10m asset.

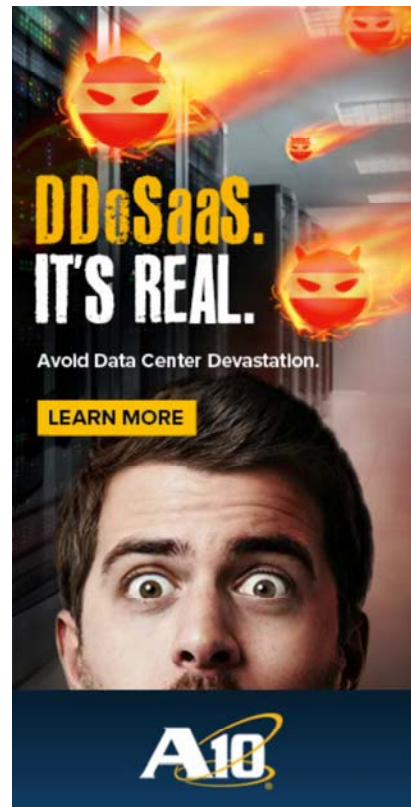
Frances Townsend, a homeland security adviser to Bush, said she did not regret having relied on Montgomery's mysterious intelligence. "It didn't seem beyond the realm of possibility. We were relying on technical people to tell us whether or not it was feasible," she said. ®

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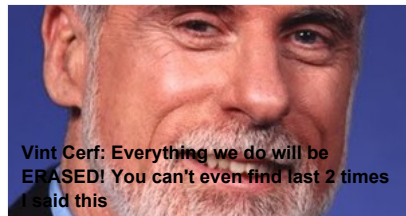
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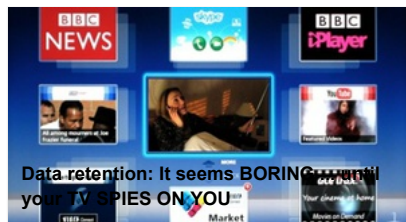
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Nevada company's troubles entangle Gibbons, federal government

June 7, 2009 - 10:00pm

In a virtual world, all things are possible.

A brilliant programmer designs an innovative application with unlimited potential. He finds a deep-pocketed benefactor and boss who just happens to have a buddy in Congress who is also a true believer. The congressman helps convince others that the software might play a key role in the war on terror. Millions of federal research and development dollars flow and, when officials show up to see the application tested, success is just a keystroke away.

The real world is a lot messier.

Former co-workers tell federal investigators that among other things, designer Dennis Montgomery was an overbearing boss with a gambling problem. He also tried to dupe potential investors by manipulating demonstrations of technology to help drones such as the Predator find images on a battlefield, they say.

When things started to sour, Warren Trepp, a multimillionaire with an influential friend, sued his former employee Montgomery, who responded in kind. Jim Gibbons left Congress for a successful 2006 campaign for Nevada governor -- financed in part by \$100,000 from Trepp or his companies -- but was sullied by bribery allegations and other equally curious situations.

At the center of this real-world story, however, is the software and its lofty national security promises.

Software that didn't work.

ALLEGATIONS OF DECEPTION

Warren Trepp and Dennis Montgomery could not have been more different. Trepp earned his fortune as a well-known trader with connections to Michael Milken, the junk bond king turned philanthropist who pleaded guilty to securities fraud after a massive insider trading scandal erupted in the 1980s. At the time, Trepp was Milken's chief trader in Beverly Hills for Drexel Burnham Lambert.

Trepp was never criminally charged in the financial scandal, but did contribute \$19 million to a settlement stemming from the bond market collapse.

Montgomery, a tech-savvy, self-described scientist, was born in Mena, Ark., about 100 miles west of Little Rock. He attended Grossmont College in El Cajon, Calif., in the early 1970s and studied to be a biomedical technician.

Trepp and Montgomery, now in their late-50s, met through a mutual friend in the late 1990s after Trepp had moved to Incline Village, a wealthy enclave on the north shore of Lake Tahoe.

Trepp was interested in Montgomery's compression technology, which could shrink large amounts of data for better storage and sharing. Montgomery set up a demonstration for Trepp, using the software to highlight images in the 1939 black-and-white movie "Gunga Din."

At the time of Montgomery's demonstration, Hollywood applications for the software appeared promising. By highlighting images in old films, film editors could scan movies to remove props like cigarettes or more easily colorize the entire film.

Trepp, during one court hearing, described how Montgomery had dazzled him with the "Gunga Din" demo: "Basically, in front of me, (Montgomery) showed me how he could colorize it by identifying a jacket on a person running up a valley."

In 1998, the two men formed a Reno-based company that would become eTreppid. Trepp put up a substantial amount of the capital, and Montgomery ran the day-to-day operations as chief technical officer, getting \$1.3 million for his software and 50 percent ownership.

It took four years, but eTreppid received its first big contract in 2002 from General Electric, which planned to use the company's video compression technology in GE's security and surveillance division for the gaming industry.

The military soon became intrigued, and a bigger payday was coming.

Battlefield applications had as much potential as any Hollywood use, if not more so. For instance, soldiers using the software could view footage from a battlefield to locate improvised explosive devices or even wanted fugitives.

In 2003, eTreppid gave demonstrations to the military in Nevada and Washington, D.C., and the U.S. Special Operations Command at Fort Bragg, N.C., awarded the firm a contract to develop its automatic target recognition software.

In July 2004, Gibbons, then a congressman, announced that eTreppid had been awarded a \$3 million contract for the product. That same year, the Special Operations Command revealed it had granted eTreppid a no-bid contract with a potential maximum value of \$30 million.

The military was buying the software "to test," to see if it would work.

From the outside, it appeared eTreppid's star was ascending. But for Montgomery, another story was unfolding.

Some in the company doubted his abilities; his reach exceeded his grasp, they said. He had personal problems, financial problems.

And, according to court records, ethical problems.

During software demos, Montgomery ordered employees to manipulate exhibitions in front of potential investors, two employees claimed. During these demonstrations, the software appeared to identify targets independently, but in essence there was a man behind the curtain.

An eTreppid designer, Jesse Anderson, told federal agents that Montgomery instructed him to monitor a remote computer screen displaying the same images being watched by investors. Anderson was to hit the "A" key on his keyboard whenever a specific target, in this case a bazooka, came into view.

The investors never knew what was going on, Anderson said.

He told federal agents that he repeated this during 40 demonstrations, according to an investigative report by the U.S. Air Force. Anderson said he finally balked in the fall of 2005 when he learned officials from the Department of Homeland Security were coming to check out the software.

Anderson no longer works for eTreppid, and declined comment for this story.

Another eTreppid employee, James Bauder, gave investigators a similar account. He said that during the summer of 2003, Montgomery called him into an office and told him to shut the door and close the blinds.

In this room, out of view of clients, Montgomery instructed Bauder to hit a "space bar" on a keyboard whenever Bauder heard a tone on his phone, the report states. Montgomery then went into a field behind the company headquarters for the demonstration, holding a bazooka while the clients sat in a warehouse watching a laptop computer.

With a camera trained on the bazooka, Montgomery sent Bauder a cell phone tone, and Bauder hit the space bar, the report states.

Bauder told investigators that he was unsure what hitting the space bar did, but he believed it highlighted the bazooka in the laptop display. He said he thought Montgomery was using "trickery" during the demonstration.

Bauder said he knew better than to inquire about it because "if you questioned (Montgomery) you were eventually fired," the report states.

Bauder no longer works for eTreppid, and did not return phone messages left at his home.

Authorities said Trepp had no knowledge of the demonstrations.

Montgomery would not comment for this story, and Ellyn Garofalo, one of his attorneys, wouldn't discuss the matter in detail.

"I would be very careful because something said in a (court) filing is not necessarily true," she cautioned. "I would suggest you check your facts."

CONCERNS AND INVESTIGATIONS

Anderson and Bauder weren't the only eTreppid employees with concerns about Montgomery.

Sloan Venables, a computer security officer for eTreppid, had known Montgomery since 1999 and, according to the federal report, called him "nuts and a compulsive liar."

Venables told investigators that Montgomery's boasts of his technical know-how went beyond his abilities. This was reinforced when he discovered Montgomery's work station didn't even have the necessary applications installed to develop source codes, the report said. And Trepp himself accused Montgomery of owing more than \$300,000 to various casinos.

The breaking point came in late 2005, when Montgomery is alleged to have stolen "source codes" from eTreppid.

The codes -- the written computer programming language that makes up software commonly stored as text files in databases -- were the backbone of the technology. Without the source code, software production ceased. As a result, Trepp stated in court papers, the company lost \$6,000 to \$10,000 a day in wages and other costs.

Montgomery was fired effective Jan. 20, 2006, and his alleged theft sparked dueling lawsuits over the software's ownership. For more than two years, Trepp and Montgomery lobbed grenades in court papers, each claiming to be the rightful owner.

And because the software was being tested for the military, the federal government entered the fray. In February 2006, the FBI opened an economic espionage and theft of intellectual property investigation.

The U.S. Air Force office of Special Investigations also joined in. Special agents interviewed current and former eTreppid employees and delved into Montgomery's life.

In March 2006, FBI agents served a search warrant on Montgomery's house in Reno. During that search, Montgomery berated agents and became "visibly upset" because he feared the FBI would trash his house and look at personal items, according to a statement by FBI agent Mike West filed in federal court.

At one point during the search, agents told Montgomery he wouldn't be allowed to go inside the house because he was disruptive. His attorney, Eric Pulver, who was present during the search, told agents they were being "very courteous" to Montgomery, according to West's statement.

Among the items seized were computer discs, an HP laptop and more than 500 tablets of prescription drugs from India, found in a shoebox. The drugs included Valium, muscle relaxants and sleep aids, and, according to the search warrant results, Montgomery didn't have a prescription for them.

DISPUTE ENTANGLES GIBBONS

The legal dispute between Trepp and Montgomery quickly enveloped one of Nevada's top officials. In November 2006, during the heated gubernatorial election, the Wall Street Journal published a front-page story suggesting Gibbons inappropriately steered millions in federal contracts to eTreppid.

As a member of the House Intelligence and Armed Services committees, Gibbons helped company staff meet military officials in Washington, D.C., and Reno. Gibbons' and Trepp's friendship spans two decades, from a fundraiser both attended.

While the company wanted federal money, Gibbons said he wanted the best technology to fight the war on terror and to bring high-paying technology jobs to Nevada. Sen. Harry Reid, D-Nev., and former Republican Rep. Jon Porter, R-Nev., also sought funding for eTreppid.

In 2005, Trepp had hosted Gibbons, his wife Dawn and their high school-aged son Jimmy on a star-studded, weeklong Caribbean cruise that included actor Patrick Swayze.

Montgomery's lawsuit accused Trepp of giving Gibbons casino chips and a suitcase with \$100,000 in it during the cruise.

Montgomery also accused Gibbons of influencing then-Nevada U.S. Attorney Daniel Bogden to authorize the raid on Montgomery's house.

Those and other allegations sparked a U.S. Justice Department investigation that would distract Gibbons for much of his first year as governor. He hired high-profile white-collar lawyer Abbe Lowell to represent him.

Gibbons eventually spent more than \$250,000 in legal fees in 2007 fighting this case and others, including accusations that he assaulted a woman, Chrissy Mazzeo, in a Las Vegas parking garage.

Last year, the Justice Department cleared Gibbons of any wrongdoing involving eTreppid. Police did not bring charges on Mazzeo's allegations, and she has since filed a civil suit.

Gibbons declined comment on whether he regretted helping eTreppid obtain military contracts. He said through a spokesman only that the matter is a civil dispute between Montgomery and Trepp.

The FBI raid on Montgomery's home drew criticism from a federal magistrate, who said it was performed in "callous disregard" of his Fourth Amendment rights, and that the agency had become an "unwitting pawn" in the civil lawsuit. The FBI disagreed, and agent West recently said the investigation was thorough and objective.

Montgomery was not charged and, despite the rancor, the three-year civil war ended quietly.

In September 2008, eTreppid and Montgomery's new employer, Blixware LLC in Bellevue, Wash., announced a confidential settlement regarding the software. Under the agreement, Blixware gained ownership of the technology but would pay eTreppid a percentage of some sales. Blixware's owner, Edra Blixseth, is co-owner of the Yellowstone Club, a resort for the ultra-rich in Montana.

A portion of the settlement for Trepp was compensation for "certain allegations made against Trepp in print and electronic media," according to the announcement. And Trepp said he was pleased with the outcome.

Stephen Peek, an attorney representing Trepp, said the company still believes in the software and that demonstration manipulation "only involved one small test."

Peek said Montgomery wasn't its sole architect: "There were other mathematicians and other developers who worked on developing and writing it. We always wanted our source code and believed in the source code."

Montgomery, now chief scientist for Blixware, is enthusiastic about the technology's future: "With this matter resolved, the media compression solution we provide can now reach its full value potential across a number of industry segments."

If that's the case, then the future will have to be different than the past.

Ken McGraw, a spokesman for U.S. Special Operations Command, said after the government awarded the contract "to test," the results were less than stellar.

"It had multiple parts," McGraw said in an interview. "But only one part worked."

And Capt. Wes Tice, another Special Operations Command official, said in an e-mail that the software "did not function the way it was supposed to."

McGraw said recently that the military contract with eTreppid expired Feb. 12, 2009, and will not be renewed. In all, the company received \$9.6 million.

A General Electric spokeswoman, Michelle May, said her company hadn't used the software for some time, and had entered into an agreement with a different firm.

May said GE was looking for a "more capable" product.

Contact reporter David Kihara at dkihara@reviewjournal.com or 702-380-1039.

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Joe Arpaio's Investigating Federal Judge G. Murray Snow, DOJ, Sources Say, and Using a Seattle Scammer To Do It

By Stephen Lemons

Published Wed., Jun. 4 2014 at 1:18 PM



AP Photo/Matt York

Sheriff Joe Arpaio, during a 2012 press conference about his ludicrous birther investigation

The most revealing part of Phoenix filmmaker Randy Murray's recent documentary [*The Joe Show*](#) was a strategy meeting during Sheriff Joe Arpaio's 2012 re-election campaign that included Arpaio, his top flack, Lisa Allen, Chief Deputy Jerry Sheridan, and campaign manager Chad

Willems.

The group huddled in the back of a Fountain Hills restaurant to discuss how to spin Joe's negatives -- the misspending of more than \$100 million, the deaths in the jails, the scores of millions in lawsuit payouts -- for the public.

At some point, Arpaio's "birther" investigation came up. You know, the one in which President Barack Obama's birth certificate gets investigated by both the Maricopa County Sheriff's Office's Cold Case Posse, a nonprofit organization, and MCSO Deputy Brian Mackiewicz, whom Arpaio flew to Hawaii as part of this snipe hunt, [at a cost of nearly \\$10,000 to taxpayers](#).

Arpaio's [March 2012 press conference](#) -- in which the sheriff and the Cold Case Posse's "lead investigator," ex-used-car salesman Mike Zullo, declared Obama's birth certificate to be a forgery -- was in the planning stage when the scene was filmed.

At the mere mention of the birther investigation and the future press event, Allen and Willems practically rolled their eyes.

Willems called the birther probe "nuts."

Allen said the sheriff might as well go the press conference "in big ol' clown shoes." Arpaio shrugged, literally.

"There ain't gonna be no damage control," Arpaio promised Willems. "You'll get more money [in campaign contributions] than you'll know what to do with."

Wilder than the cartoon coyote, Arpaio had tapped into a nationwide right-wing anti-government, anti-Obama feeding frenzy with his birther probe and with his tirades against the U.S. Department of Justice, which was investigating him for abuse of power and other issues and is now suing him in federal court.

"The DOJ is a hot item everywhere," Joe told his flunkies.

See, whenever Arpaio's never-ending political campaign sends out an e-mail blast begging for loot from Obama-haters, it reels in contributions from retired, far-right ofays all over the country.

Willems essentially admitted as much in another scene from the film.

"Now, with Arpaio going to battle with Barack Obama," Willems said, "it's meant literally millions of dollars for his campaign."

As everybody knows, Arpaio was re-elected in 2012, but the investigation into Obama's birth certificate continues apace, according to both Arpaio and Cold Case Posse "commander" Zullo.

At the beginning of May, Arpaio mentioned the birther probe during a speech before a group of Silicon Valley conservatives.

Around the same time, he appeared on [The Right Side, a conservative cable-access show in Mountain View, California](#). He told host Chris Pareja that the inquiry into Obama's birth certificate was going strong.

"I'm not done with that yet," Arpaio insisted. "People think I surrendered. No . . . I'm trying to find out who's behind it now. That's the key. You can always have a crime to investigate, but I think you would like to know who did it."

The sheriff said he was after whoever created this "forged, fraudulent document," meaning a computer scan of the president's long-form birth certificate, [released by the White House in April 2011](#).

Arpaio's statements have paralleled assurances from Zullo during periodic interviews with Florida pastor/radio host Carl Gallups that new revelations concerning the Obama birth certificate are on the way.

Critics of birthers regularly mock Zullo's vague pronouncements on Gallups' show as never resulting in any "new" finds.

Why, even the information disclosed during Arpaio's two birther-themed press conferences in 2012 were a rehash of debunked conspiracy theories.

But during [a February interview with Gallups](#), Zullo caused an Internet kerfuffle when he told Gallups' audience that there were now two investigations: the original birther one and an offshoot of the birther probe, this one a criminal investigation.

Moreover, the second investigation was using two MCSO detectives and, presumably, county money.

"I don't know how this is all going to play out," Zullo said. "I know that [in] the criminal investigation that we're working on now, Sheriff Arpaio has dedicated resources and two full-time Maricopa County Sheriff's Office detectives."

He added, "These are seasoned pros [who] are working this. These are the guys that go hunt down the really bad guys."

Zullo promised to release "universe-shattering" results of these investigations in March, a deadline Zullo since has extended indefinitely.

Blogger Mitch Martinson of [arizonaspoltics.com](#) was the first to query the MCSO on Zullo's claim, and the first to report that Sheriff's Office spokesman Brandon Jones kinda-sorta had confirmed it.

"We have two sheriff's detectives assigned to look into other issues surrounding the birth certificate," Jones told Martinson, [in a blog item posted February 10](#). "However, they are not investigating the birth certificate issue itself."

Later, Jones walked back his comments to Martinson, sending the blogger an e-mail, [which Martinson used in a screen shot to a follow-up post](#).

"Mitch, I was misinformed," Jones stated. "The detectives are not working on anything regarding the birth certificate. Not even surrounding. Mr. Zullo was incorrect: They are working on other serious cases not even related."

Who were these two detectives, what were they up to, and why is Zullo, a mere posse member, privy to it?

Based on information given to me by longtime sources, the two detectives mentioned are Brian Mackiewicz, the same deputy who made a taxpayer-funded run to Hawaii in May 2012, and Sergeant Travis Anglin, once a lieutenant with the notorious Maricopa Anti-Corruption Effort who was [demoted after an MCSO investigation into his private security company and its use of MCSO detectives](#).



[Riverside County Sheriff's Department](#)

Dennis Montgomery, in a mugshot [from a 2009 arrest](#)

My sources -- one of whom is a former detective with the MCSO's Special Investigations Division and is well-acquainted with SID and those in it -- say Anglin and Mackiewicz were involved in an odd investigation dating back to October 2013.

Moreover, they say, the deputies have used as a confidential informant a notorious scammer in the Seattle area.

What have they been investigating? According to my sources, Mackiewicz, Anglin, and the informant are focused on U.S. District Court Judge G. Murray Snow, the Justice Department, and a bizarre conspiracy theory that the DOJ and Snow have conspired to somehow "get" Joe Arpaio.

The person who purportedly convinced Arapio of this paranoid fantasy, the sources say, is computer fraudster Dennis L. Montgomery, the subject of a 2010 Playboy exposé titled "[The Man Who Conned the Pentagon](#)."

In that article, investigative reporter Aram Roston detailed how, in the wake of the 9/11 attacks, Montgomery snookered the CIA, the White House, the Department of Homeland Security, and the Air Force into believing he had software that could decode secret messages to terrorists, supposedly embedded in broadcasts of the Al Jazeera Media Network.

As crazy as this now sounds, Roston, using unsealed court documents, reported that eTrepid Technologies, the Nevada software company Montgomery co-owned, scored multimillion-dollar contracts for computer software touted by Montgomery.

In fact, Roston wrote, the United States went to Code Orange, the DHS' second-highest terror alert, in 2003 based on data supplied to the CIA by Montgomery.

International flights were delayed, sometimes canceled, because of Montgomery's work. Based on Montgomery's "intelligence gathering," Homeland Security Secretary Tom Ridge told reporters at the time about the threat of "near-term attacks" that could "rival or exceed" those of 9/11.

"Montgomery calls the work he was doing noise filtering," Roston wrote. "He was churning out reams of data he called output. It consisted of latitudes and longitudes and flight numbers."

This data was given to then-CIA Director George Tenet, according to Roston, and "eventually ended up in the White House."

There was one big problem, Roston reported: "The communications Montgomery said he was decrypting apparently didn't exist."

Roston wrote that Montgomery's eTreppid colleagues questioned his computer skills. Company employees also claimed that Montgomery had faked demonstrations of weapons-recognition software for representatives of the U.S. military.

With the help of a "branch of the French intelligence services," the CIA finally got wise to Montgomery, realizing that there were no secret messages to bad guys in the Al Jazeera broadcasts.

Montgomery left eTreppid, wrote Roston, and went on to work for software companies backed by a wealthy heiress; to accuse Nevada Governor Jim Gibbons of taking a bribe (Gibbons later was cleared of wrongdoing); to lose big at a Rancho Mirage, California casino (\$422,000 in one day); and to declare bankruptcy.

Now, Montgomery lives in Yarrow Point, Washington, a short drive from downtown Seattle.

My sources report that MCSO detectives Anglin and Mackiewicz have spent a lot of time this year in Seattle with Montgomery, who, the sources say, has convinced the sheriff that he has information suggesting an anti-Arpaio conspiracy between Judge Snow and the DOJ.

These sources say there is no report number assigned to the case, that Arpaio himself is running it, and that the investigation has been financed with funds for confidential informants, RICO funds.

Montgomery has been assigned a "confidential informant number" or "control number," the identity of which is known only to Arpaio, a few MCSO brass, and those in Special Investigations, according to my sources, who claim Montgomery has been paid about \$100,000 to date by the MCSO.

The situation gives Arpaio and the MCSO a degree of deniability because the department is allowed to keep the identities of confidential informants secret in most instances.

Though there should be MCSO paperwork associated with such payments, it would show a payment to a control number, not a name.

The MCSO's official policy on "informant management" states that control numbers must be maintained in a confidential-informant log "monitored by the [Special Investigations Division] commander or his designee."

It further states that all informant files be kept in a "secured area within the SID." The policy notes that the MCSO "will protect these sources through all available and reasonable legal means."

Such "informant files" are retained as "permanent records" of SID, "unless the division commander determines that the records may be purged."

My sources say Mackiewicz has received, to date, \$50,000 in overtime pay and Zullo has gotten about \$5,000 in payments.

Zullo's role is unclear, though he currently is involved in the investigation, according to these sources, as well as the perpetual birther probe.

Additionally, they say the MCSO made about a \$50,000 purchase of computer equipment for Montgomery sometime this year from a store in Washington state.

According to the MCSO's policy regarding "Undercover and Investigative Funds Accountability," an expenditure of up to \$6,000 for undercover and investigative work can be approved by a division commander.

Anything over \$6,000 must be approved by a bureau commander.

As for funds specifically paid to confidential informants, the reins are even tighter.

Payments to a CI of more than \$300 must be approved by a division commander "prior to the expenditure of the funds," according to the MCSO's informant-management policy.

The amount of money involved in detectives Anglin and Mackiewicz's Seattle quest has raised red flags with MCSO accountants, I've been told.

These same MCSO accountants reportedly have expressed concern internally about the procurement of the computer equipment, excessive CI payments, the amount of overtime involved, and the money spent on airfare and stays in Seattle.

In several broadly worded public-records requests sent to the MCSO in February, I asked for any and all e-mails traded among the players involved, as well as any and all records regarding MCSO employees' trips to Seattle, payments of informant funds to Dennis Montgomery, and Mackiewicz's overtime requests.

In each case, I was advised by MCSO spokesman Jones that "this is an ongoing investigation . . . no records can be released at this time."

In March, I called Zullo at his home phone number. I asked him about the work he was said to be doing with Montgomery.

He claimed not to know what I was talking about. When I pressed him, he said all such inquiries should go through the MCSO.

"I have no comment to make, especially to the *New Times*," he told me before hanging up.

The opportunity to question Arpaio about the Montgomery caper came as he munched on cheese [at a recent fundraiser for embattled Arizona Attorney General Tom Horne at the University Club in Phoenix](#).

I asked the sheriff about Montgomery and the work that my sources tell me he has done for the MCSO.

At first, he played dumb, asking if I meant County Attorney Bill Montgomery.

"No, *Dennis* Montgomery," I replied. "The computer guy in Seattle who is helping you investigate Judge Snow and the DOJ. You are investigating Snow and the DOJ, aren't you?"

As he hit the cheese platter again, Arpaio looked over his shoulder at me with a grin. But he said nothing.

I kept after him, asking why deputies Mackiewicz and Anglin had spent so much time in Seattle.

"I dunno, maybe they like the weather up there," he said over his shoulder, "or the snow crab."

True to form, the sheriff was cagey, but there was no denial.

The ex-Special Investigations source I know tells me that the joke around Arpaio's office is that Montgomery's referred to as "Snowden," after Edward Snowden, the American computer geek responsible for a massive 2013 leak of classified documents from the National Security Agency that exposed Orwellian surveillance programs run by the U.S. government.

"[Montgomery] says he worked for the CIA on a project called Hammer [and] collected data similar to Snowden's," the source says. "[Montgomery] claims he can prove there was a conspiracy between [U.S. Attorney General] Eric Holder and Judge Snow . . . a conspiracy against Arpaio."

Montgomery, who is middle-aged and stocky with a shock of white hair, is no Snowden. Whatever you think of Snowden, at least the information he released generally has been confirmed as legitimate.

As with the gibberish Montgomery reportedly gave the CIA in the early 2000s, he has, according to my sources, produced many printouts for the MCSO that seem off point, with dates going back to 1999 and earlier.

Obviously, that's long before Arpaio took up the cause of illegal immigration, long before he was investigated or sued by the DOJ, and long before he became the subject of the ACLU's big racial profiling lawsuit *Melendres v. Arpaio*.

One source informs me that at least one underling told Arpaio recently that what Montgomery provided the MCSO is worthless, that Joe is getting played -- which caused the sheriff to erupt into a fit of anger.

When Montgomery was approached by a freelance reporter on behalf of *New Times* in April, he was nonplussed.

Montgomery came to the door of his Yarrow Point home, a cell phone at his ear, talking to someone about computer equipment.

The reporter identified himself, and Montgomery asked for a card, which the reporter presented.

"I really don't wanna talk to you," Montgomery said, ending his call.

"Okay, about Phoenix . . .," the reporter began.

"No comment," Montgomery shot back.

"Arizona . . .," the reporter started again.

"No comment," Montgomery repeated. "Who sent you up here?"

"*Phoenix New Times*," the reporter explained.

"Yeah," growled Montgomery.

"Have you done any work for Joe Arpaio?" the reporter asked.

"I, I, I have no comment," Montgomery said, moving away. "I'll call you later. I'll think about it."

Montgomery went back into his house and shut the door, ending the conversation on a mysterious note. As with Arpaio, there was no denial.

Is Dennis Montgomery Joe Arpaio's Snowden? I cannot say absolutely.

But it's not far-fetched to think that Arpaio would investigate any powerful public official. He continues to investigate the president. He and now-disbarred former County Attorney Andrew Thomas investigated Superior Court judges perceived to be thwarting their anti-undocumented-immigrant policies.

That is, it fits a pattern cultivated over his reign of more than 20 years.

Among Arpaio's bogus investigations have been:

- One [targeting former Arizona Attorney General Terry Goddard](#) for alleged bribery. The probe began in 2007 and didn't seem to end until Goddard left office.
- One that brought [the 2008 indictment of then-county Supervisor Don Stapley on 118 criminal counts](#) related to his allegedly not properly disclosing sources of income. All counts were dismissed ultimately.
- [An infamous December 2009 RICO suit](#) brought by Arpaio and Thomas against the entire Board of Supervisors, various county employees and certain Superior Court judges. Supposedly, they all were part of a conspiracy involving the county's new court tower. The suit was a disaster that finally got dismissed by Thomas himself.
- A probe resulting in [the filing of false bribery charges in 2009 against former Superior Court Judge Gary Donahoe](#). Arpaio and Thomas ginned up these charges as retaliation against Donahoe for adverse rulings and to make Donahoe vacate a hearing that Arpaio and Thomas didn't want to take place.

And now Judge Snow, [who in 2013 found the MCSO guilty of racial profiling](#) and assigned a monitor to make certain that Arpaio was obeying court orders on reforming and re-educating deputies so that the agency does not profile Latinos or any other minority again?

As for Holder, the DOJ remains engaged in a lawsuit accusing Arpaio of abuse of power and prejudiced policing.

At age 82, the sheriff faces the ignominy of ending his law enforcement career as a disgraced political colossus.

All -- in his mind -- because of Snow and the DOJ.

Why not attempt an investigation aimed at discrediting his perceived nemeses?

Though there never will be any pink handcuffs in Snow's or Holder's future, Arpaio's racist, wing-nut supporters would consider it an act of bravery that their hero is investigating federal officials getting in the way of keeping despised Latinos in their place.

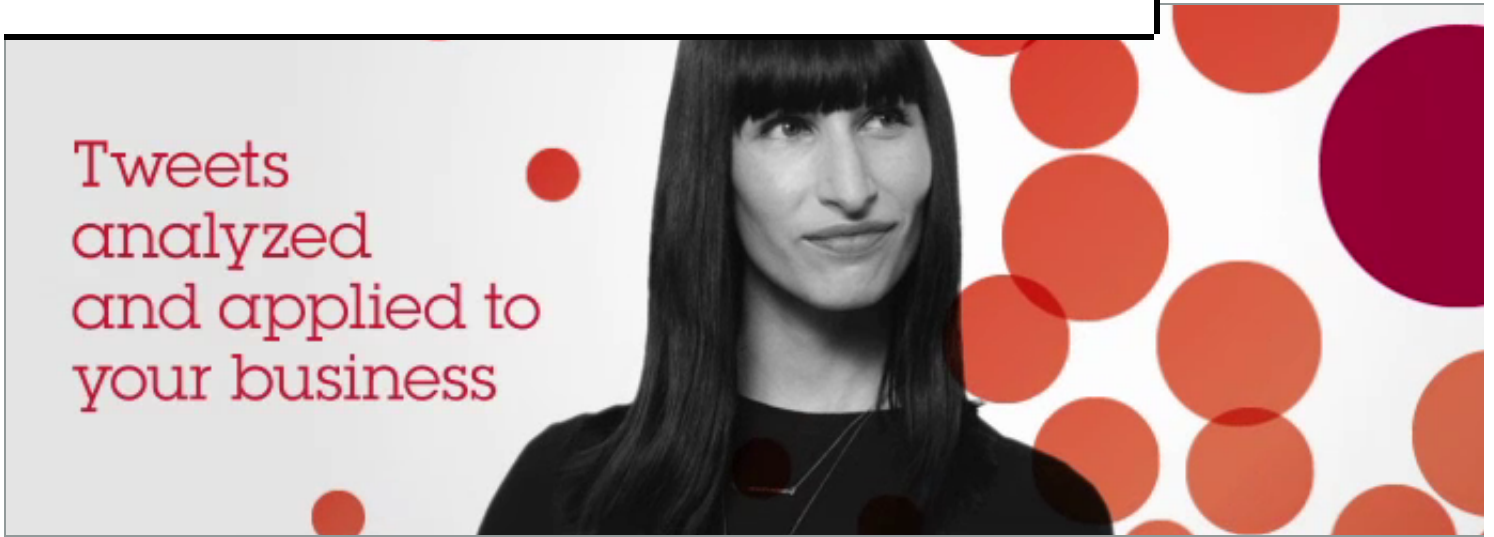
Meaning more money in the sheriff's perpetual re-election kitty and proving that bogus investigations continue to pay off.

My dream, of course, is that Snow blows a gasket and perp-walks the aged autocrat.
We'll see.

Rick Anderson in Seattle contributed to this story.



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REPORT: PROGRAMMER CONNED CIA, PENTAGON INTO BUYING BOGUS ANTI-TERROR CODE



A PROGRAMMER WHO claims he produced software that detected hidden terrorist messages in Al Jazeera broadcasts was apparently responsible for a false alert in 2003 that grounded international flights. The 2003 incident raised the government’s security level, according to a remarkable story published by *Playboy*.

The developer also allegedly faked software demonstrations and conned the Pentagon into investing in a program that fellow workers suspect never existed or couldn’t do what the developer claimed.

In December 2003, DHS secretary Tom Ridge announced a terror alert based on intelligence from “credible sources” about imminent attacks that “could either rival or exceed what we experienced on September 11.” Dozens of French, British and Mexican commercial “flights of interest” were canceled, and news agencies were reporting that the threats

extended to “power plants, dams and even oil facilities in Alaska.”

Playboy says the source of the intelligence was never revealed publicly. But the evidence points to Dennis Montgomery, who had convinced the government that Al Jazeera — the Qatari-owned TV network — was unwittingly transmitting attack orders to Al Qaeda sleeper cells concealed in video it broadcast.

Montgomery claimed he decoded the orders using a program developed by his four-year-old Las Vegas firm, eTrepid Technologies. The software found hidden bar codes in Al Jazeera videos that contained latitudes, longitudes, flight numbers and dates for planes being targeted for attacks, he reportedly claimed. He fed the information to a CIA employee at the agency’s Directorate of Science and Technology, who passed it up to CIA Director George Tenet, who in turn passed it to the White House.

“[Tom] Ridge’s announcement, the canceled flights and the holiday disruptions were all the results of Montgomery’s mysterious doings,” the *Playboy article* asserts.

Over the next few years Montgomery’s intelligence wound its way through the Department of Homeland Security, the Pentagon, the Senate Intelligence Committee and even Vice President Dick Cheney’s office.

But aside from Tenet and a few others, *Playboy* reports, no one actually knew the information was supposedly gleaned from messages hidden in video broadcasts.

In the aftermath of the 9/11 attacks, the government was searching feverishly for any information or tools that would help deter additional attacks, and was willing to throw millions of dollars at any prospector who asserted he had a solution. It was this environment that helped Montgomery convince officials at DHS and elsewhere that he was able to detect hidden messages in video that no one else was able to see.

When one CIA officer finally learned the source of the information his agency was being fed, he says he was livid.

“I was told to shut up,” he told *Playboy*. “I was saying, ‘This is crazy. This is embarrassing.’ . . . I said, ‘Give us the algorithms that allowed you to come up with this stuff.’ They wouldn’t even do that. And I was screaming, ‘You gave these people fucking money?’”

Frances Townsend, a Homeland Security adviser to President George W. Bush, admits to the magazine that the bar code idea sounded far-fetched, but said the government had no choice but to pursue the leads Montgomery passed them.

“It didn’t seem beyond the realm of possibility,” she said. “We were relying on technical people to tell us whether or not it was feasible. I don’t regret having acted on it.”

It was a branch of the French intelligence services that finally helped convince the U.S. government in 2004 that the bar codes were fake after they and the CIA commissioned another company to try to detect the

messages and were unable to uncover anything.

But by then Montgomery was already making headway with other software claims. His company got a contract with the Air Force to handle video shot by unmanned Predator drones. He claimed his program could recognize weapons in the surveillance video. In 2004 the U.S. Special Operations Command reportedly gave his company a \$30 million no-bid contract for “compression” and “automatic target recognition” technology. Montgomery even got a security clearance. But a former worker told *Playboy* that he had helped fake some 40 demonstrations of the software.

In January, 2006 Montgomery left the company over disputes with one of his business partners and investors. The company claims the software disappeared and the source code was wiped out when Montgomery left. Hard drives that supposedly stored backup copies of the programs turned out to contain nothing. Montgomery has been called a “habitual liar engaged in fraud” by one of his former attorneys and was charged in Las Vegas with bouncing nine checks in the amount of \$1 million in September 2008. He was arrested on a felony warrant in California.

Montgomery and his former partner sued each other over various claims. When Montgomery named the Department of Defense as a defendant in his suit, Director of National Intelligence John Negroponte intervened and invoked the state secrets privilege, claiming the suit could result in “serious, and in some cases exceptionally grave, damage to the national security of the United States.”

Montgomery went on to find another patron-investor in the form of Edra Blixseth, wife of billionaire Tim Blixseth. He began receiving checks through various businesses connected to the Blixseths and their main company, Blxware, for developing software. The FBI began investigating Montgomery, but this didn’t stop the National Security Agency from discussing work on a project for that agency in 2007. He apparently

requested \$4 million to develop software for them. *Playboy* doesn't say what happened with that deal, but this year Montgomery was able to pawn his technology off on a new federal customer — the U.S. Air Force. The agency reportedly signed a contract to pay \$3 million for “research, development, test and evaluation” of Montgomery’s software earlier this year.

The results of the evaluation were “inconclusive,” however, and the deal ended there. But not before the Air Force paid out \$2 million in taxpayer funds last February. That same month, Montgomery received \$600,000 from Blxware.

Photo: [Snarkattack](#)/Flickr

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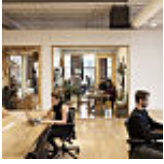
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