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*Public Company*  
*Incorporated: 1964 as Biorad, Inc.*  
*Employees: 920*  
*Sales: \$94.4 million 2004*  
*Stock Exchanges: AMEX*  
*Ticker Symbol: NLX*  
*NAIC: 541519 Other Computer Related Services*

Through its subsidiaries and operating units, Alexandria, Virginia-based Analex Corporation offers information technology, systems engineering, security services, and intelligence services in support of homeland security, aerospace, and defense-related projects. Aerospace services are provided to such clients as NASA, the United States Air Force, Lockheed Martin Corporation, Boeing, and the National Reconnaissance Office.

These services include control dynamics, failure modes effects and critical analysis, launch integration, mission assurance, stress analysis, and systems integration. Analex's medical services provides software and system engineering services to medical product and device manufacturers. The company's commercial engineering services unit is involved in such areas as software integration, system integration, database design and development, imaging technology, engineering research and design, electromagnetic compatibility, and software development.

Wholly owned subsidiary Beta Analytics International, Inc. provides security services to both government and non-government clients, ranging from high-tech information assurance and technology protection to access control at client sites. Another subsidiary, ComGlobal Systems, Inc., primarily serves the Department of Defense, offering information technology for weapons systems and command and control systems. Subsidiary SyCom Services develops software engineering services for use in civilian and military radar systems, signal analysis, and other communication and database systems. Analex is a public company listed on the American Stock Exchange.

## **Origins in the 1960s**

Filings with the Securities and Exchange Commission (SEC) indicate that Analex was incorporated in New York in 1964 as Biorad, Inc. and four years later assumed the name

Hadron, Inc. According to the *Washington Post* in a 1986 article, the company was originally involved in the manufacture of industrial laser products, then "shifted gears in the late 1970s to focus on professional services." *Barron's* offered more details in a 1988 article, maintaining that "the outfit emerged in 1979 from the ashes of Xonics, a notorious high-tech fiasco."

Members of top management were accused by the SEC of fraud and manipulating the company's stock price in order to use the stock to acquire other companies. "In 1979 Dominic Laiti gathered a group of former Xonic executives and bought Hadron. By 1983, the company was lauded in the press as an 'investment banker's dream.' For the child had, it appeared, inherited the parent's acquisitive streak, snapping up nine companies in just three years."

While Laiti led the investor group that owned Hadron, it was Xonic's former president, Dr. Earl Winfrey Brian, who called the shots. He was politically well connected, friend to President Ronald Regan and the head of Regan's Justice Department, Ed Meese, and, if speculations are true, he had a hand in a number of scandals, including the October Surprise of 1980 that supposedly kept the embassy hostages in Iran until Regan was inaugurated as president, the Iran-Contra affair in which a rogue operation traded arms for hostages, and the selling of sensitive crime-tracking software to the intelligence services of foreign governments, an incident in which Hadron supposedly played a bit role.

Brian earned a medical degree from Duke University in 1966, then did postgraduate work at Stanford Medical School. It was here that he met Ned Hutchinson, one of Ronald Reagan's county campaign managers when Reagan was governor of California. Hutchinson was so impressed that he recommended Brian to state health officials, and at the age of 25 he found himself executive secretary for the California State Social Welfare Board. Two years later, he went to Vietnam, where he spent two years as a well-regarded surgeon. After his stint in the service, he returned to California and was soon in charge of the state's entire medical department, a position in which he would work closely with Regan's chief of staff, Ed Meese.

In 1974, Brian attempted to become a Republican nominee for the U.S. Senate. Failing that bid, he now joined the University of Southern California as professor of medicine. According to a 1991 article in the *Financial Post*, "It appears Brian gave up the medical game for good in the mid-1970s. He inherited \$50,000 from his father, and in 1975 showed up as president of a company called Xonics Inc. But it was Biotech Capital Corporation, the predecessor to Infotech, that would become Brian's main business vehicle."

Although biotechnology was his interest at the time, Brian "found a new love— information technology, data management and software engineering." All of Brian's business interests were interconnected in a web difficult to untangle. It was through Infotech that Brian controlled Hadron, despite owning only a modest stake in the company. His interests eventually extended to the mass media as he gained control of

both the wire service United Press International and a cable TV channel, FNN (Financial News Network).

According to the *Washington Post*, some of Hadron's acquisitions in the early 1980s failed to pan out: "Buying a company that made computer numerical controllers that speed up automatic knitting machines was a flop. . . . Other acquisition mistakes included a company that aimed to replace draftsmen with computers, and a company that made software for public agencies."

What emerged from the flurry of acquisitions in the 1980s was essentially a high-tech consulting firm that primarily served government clients. It was an acquisition Hadron did not make, however, that would become the source of controversy and the subject of litigation in the years to come. This episode centered on the PROMIS (Prosecutor's Management Information System) software, created to manage and track criminal records from start to finish, including details of arrests, investigations, grand jury hearings, trials, prison terms, and paroles. It also had the potential to monitor intelligence cases.

PROMIS was developed by a company called Inslaw, which was founded by Bill Hamilton. Maggie Mahar of *Barron's* wrote in a 1988 article, "As Bill Hamilton tells it, it was April of 1983. . . when he received the call from Dominic Laiti, chairman of Hadron Inc." Laiti said he wanted to buy Inslaw.

Hamilton made it clear he was not interested in selling, but, the *Post* article continued, Laiti kept pushing, and, according to Hamilton, boasted, as he remembers, "We have very good political contacts in the current administration—We can get this kind of business. . . . We have ways of making you sell." Inslaw had a \$10 million deal with the Department of Justice to provide PROMIS to the 20 largest U.S. attorneys' offices. Within months, Justice stopped payment on the contract, and in 1985 Inslaw was forced into Chapter 11 bankruptcy protection. A year later, Hamilton sued Justice for theft of property and soon learned of Brian's connection to Hadron and to Meese in Justice.

According to the *Financial Post*, Hamilton came to believe that "Brian and his old crony, Meese, were behind the attempt to bankrupt and liquidate Inslaw. His theory, based on considerable circumstantial evidence, is that Meese wanted to award Brian a sweetheart computer contract."

Others have suggested a more sinister motive. Writing for the *Columbia Journalism Review* in 1991, Phil Linsalata reported that Hamilton met a man named Michael Roiconosciuto, who "claimed advanced skills" in a number of areas that "made him a favorite among intelligence operatives in need of assistance." Roiconosciuto claimed that someone in Justice stole PROMIS and "gave it to American Intelligence operatives for resale in the international intelligence market. He later said he had been hired to alter the software prior to these sales. . . . Riconosciuto told Caolaro that the software had been traded for cash, with some of the money going to reward American intelligence figures for services rendered, and the balance going into slush funds for future operations outside the purview of Congress. . . . One of the services rendered was orchestration of the 1980

release of the American hostages in Iran," in which Brian was alleged to have acted as one of the negotiators for the Reagan camp. This backdoor channel would then be used in the weapons sales in the Iran-Contra affair, according to Riconociuto. Hamilton eventually charged that PROMIS "had been illegally distributed to military and intelligence agencies in Iraq, Libya, South Korea, Singapore, Israel, Canada, and other nations."

## **Brian Indicted in the Mid-1990s**

Hamilton won his suit against Justice, which was ordered to pay Inslaw \$8 million. Justice lost an appeal but appealed again, until finally, in May 1991, the case was thrown out on a technicality, a judge ruling that the matter should never come before a bankruptcy judge. Brian always denied any connection to the Inslaw matter or any espionage intrigue.

While the Inslaw case was relegated to the files of conspiracy theorists, Brian was soon caught up in a more tangible scandal. He was accused by regulators of hiding losses at FNN through false intercompany billings. In this way, he could falsify financial statements, thus giving FNN the opportunity to secure financing. In 1996, he was convicted on ten counts of conspiracy, fraud, and related charges and sentenced to nearly five years in federal prison. Even while he was indicted and undergoing a trial, Brian maintained his connection to Hadron and was paid \$4,000 a month as a consultant.

### **Company Perspectives:**

*Analex has repeatedly earned its reputation for working closely with our customers to consistently deliver solutions resulting in highly reliable products and systems.*

Hadron was not doing well in the early 1990s, a victim of tightened federal budgets. By 1993, the company was on the verge of bankruptcy and being delisted by the NASDAQ. Hadron stayed out of Chapter 11 protection but only temporarily staved off delisting by engineering a ten-for-one reverse stock split to boost the price of the company's stock above the \$1 threshold. Revenues dipped to \$18.5 million in fiscal 1994, and the company lost more than \$4 million.

Hadron returned to profitability in fiscal 1996 but continued to lack direction: sales were up one year and down the next. In 1998, Hadron's management pared the company's focus to three areas: trusted/secure systems, computer systems support, and intelligent weapons systems. In 1999, a bio-defense unit was added to develop medical defenses and treatments for biological warfare toxins, an important step in the company's involvement in homeland security.

## **New Management and Focus in the 2000s**

Not until 2000 would Hadron begin to find itself and evolve into a national security company. It was then that a new investment group, led by Jon M. Stout took charge. Stout was well familiar with the needs of the intelligence community, having previously headed DPC Technologies Inc., a military intelligence company. The *Washington Post* reported in April 2000 that Stout "hadn't even heard of Hadron until a few months ago. . . . It was investment banker J. Richard Knapp—who helped Stout sell DPC to Northrop Grumman, and who also happens to be on Hadron's board—who brought the company and its new CEO together. 'The company should begin to grow very smartly, I think,' Knapp said of Stout's new leadership.

For the 53-year-old Stout, this is a move to the higher end of technology and higher level of organization. Stout plans to refocus the company's business on military intelligence work, and appears to prefer the high barriers of entry in the field, with its secret clearances and specialized knowledge requirements." Under Stout, Hadron forged a three-year strategic plan with the goal of being recognized as a major player in signals intelligence, imagery intelligence, electronic intelligence, human intelligence, measurement and signature intelligence, and biological warfare defense research. Stout stepped down as CEO in January 2001, turning over the post to Sterling E. Phillips, Jr., who assumed the chairmanship as well in 2004.

The terrorist attacks against the United States on September 11, 2001, were a milestone event for Hadron, which found itself well positioned to take advantage of increased spending in national security. To improve its position, in November 2001 Hadron acquired a competitor, Analex Corporation, a Littleton, Colorado-based company that provided engineering and program management services to NASA and the U.S. intelligence community. The integration of the acquisition was completed in March 2002, but during the process management came to realize that Analex was a more recognizable brand in the marketplace. Thus, in July 2002 Hadron changed its name to Analex Corporation.

Revenue grew steadily in the early 2000s, increasing from \$22 million in 2001 to \$59.3 million in 2002, \$66.2 million in 2003, and \$94.4 million in 2004. To stimulate further growth, Analex completed a pair of strategic acquisitions. The first was the \$33.3 million cash and stock purchase of Maryland-based Beta Analytics International Inc., a company with more than 20 years of experience in protecting clients' assets, including personnel, information, operations, facilities, and equipment. In April 2005, Analex completed the \$47 million cash purchase of San Diego-based ComGlobal Systems, an information technologies and services company.

Revenues during the first six months of 2005 were greatly improved over the same period the previous year, increasing from \$38.8 million to \$66.6 million, a clear indication that after 40 years in existence, Analex may have finally begun to find its stride.

## Principal Subsidiaries

Beta Analytics, Inc.; ComGlobal Biosystems, Inc.; SyCom Services, Inc.

### Key Dates:

- 1964:**  
Company founded as Biorad, Inc.
- 1964:**  
The company's name is changed to Hadron, Inc.
- 1979:**  
Former Xonic executives acquire Hadron.
- 1993:**  
The company delisted by the NASDAQ.
- 2000:**  
An investment group led by Jon Stout acquires the company.
- 2001:**  
Analex Corporation is acquired.
- 2002:**  
Hadron assumes name of Analex Corporation.
- 2004:**  
Beta Analytics, Inc. is acquired.
- 2005:**  
ComGlobal Biosystems, Inc. is acquired.

## Principal Competitors

Anteon International Corporation; CACI International Inc.; Science Applications International Corporation.

## Further Reading

Hinden, Stan, "When the Music Finally Stops, Hadron Won't Look the Same," *Washington Post*, July 31, 1989, p. F35.

Linsalata, Phil, "The Octopus File," *Columbia Journalism Review*, November-December 1991, p. 76.

Mahar, Maggie, "Rogue Justice," *Barron's National Business and Financial Weekly*, April 4, 1988, p. 6.

Musgrove, Mike, "New Leader for Hush-Hush Hadron," *Washington Post*, April 10, 2000, p. F05.

Reguly, Eric, "Questions Grow as 'Big Daddy' Watches His Empire Crumble," *Financial Post*, August 17, 1991, p. 8.

Tucker, Elizabeth, "Hadron Inc.: Stumbling Along," *Washington Post*, November 28, 1988, p. F36.

—Ed Dinger