



**DEPARTMENT OF DEFENSE  
DEFENSE OFFICE OF HEARINGS AND APPEALS**



In the matter of:	)	
	)	
	)	ISCR Case No. 10-00672
	)	
Applicant for Security Clearance	)	

**Appearances**

For Government: Richard Stevens, Esq., Department Counsel  
For Applicant: Mary C. Sorrell, Esq.

05/02/2012

**Decision**

RICCIARDELLO, Carol G., Administrative Judge:

Applicant mitigated the Government’s security concerns under Guideline F, Financial Considerations. Applicant’s eligibility for a security clearance is granted.

**Statement of the Case**

On August 15, 2011, the Defense Office of Hearings and Appeals (DOHA) issued Applicant a Statement of Reasons (SOR) detailing security concerns under Guideline F. On March 21, 2012, DOHA issued an amended SOR detailing additional security concerns under Guideline F. The actions were taken under Executive Order 10865, *Safeguarding Classified Information within Industry* (February 20, 1960), as amended; Department of Defense Directive 5220.6, *Defense Industrial Personnel Security Clearance Review Program* (January 2, 1992), as amended (Directive); and the adjudicative guidelines (AG), effective within the Department of Defense on September 1, 2006.

Applicant answered the original SOR on August 25, 2011. Applicant requested his case be decided on the record. On March 20, 2012, he withdrew his request for his

case to be decided on the record and requested a hearing. On March 21, 2012, Department Counsel amended the SOR. Applicant answered the amended SOR on March 27, 2012. The case was assigned to me on March 23, 2012. DOHA issued a Notice of Hearing on April 2, 2012. I convened the hearing as scheduled on April 18, 2012. The Government offered Exhibits (GE) 1 through 19, and they were admitted into evidence without objections. Applicant offered Exhibits (AE) A through M, which were admitted into evidence without objection. The record was held open until April 25, 2012, to allow Applicant to submit additional exhibits, which he did. They were marked as AE N through V. Department Counsel provided a memorandum noting he had no objections to the evidence, and it was marked as Hearing Exhibit I. The exhibits were admitted into evidence and the record closed. DOHA received the hearing transcript (Tr.) on April 27, 2012.

### **Procedural Issue**

Department Counsel withdrew SOR ¶ 1.d.

### **Findings of Fact**

Applicant denied all the SOR allegations and amended SOR allegations. After a thorough and careful review of the pleadings, exhibits, and testimony, I make the following findings of fact.

Applicant is 61 years old. He has been married for 40 years. He has three adult children and three grandchildren. In 1984, Applicant started his own business. He had eight workers. All of his business is with the U.S. Government. His business has grown, and he currently employs approximately 240 workers. He has held a confidential clearance since 1994.<sup>1</sup>

Applicant had a thriving business and was one of the primary contractors for the U.S. Government in his company's specific area of expertise. His company was financially sound. Through the years, because of his successful business, Applicant was able to invest in real estate. In approximately 2007, the U.S. Government instituted a new requirement for the type of work performed by Applicant's company. Applicant was not able to do the work with the current equipment he had. He lost the government contracts. He made a business decision to make a capital investment for the new equipment required to perform the government contracts. He had to acquire and retool the equipment in a relatively short period of time. It cost his company about \$4.5 million to purchase and refit equipment so he could stay in business, be competitive, and perform the contracts. Because he did not have the right equipment when the government changed the requirements, Applicant estimated he lost approximately \$4.5 million in reduced revenue in 2008.

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<sup>1</sup> Tr. 134-135, 142.

In order to pay for the retooling required to keep his company running, Applicant refinanced some of his investment properties. During 2007 to 2009, the real estate market throughout the United States, and especially in the state where Applicant's investments were located had steep declines. Applicant had difficulty maintaining some of his properties, and refinancing to obtain the money became more problematic. He had difficulty securing cash to pay bills.

During the time period from 2006 to 2008, Applicant had a real estate investment partner. They owned property worth several million dollars. His partner was a government contractor. Their agreement was they would equally split the mortgage payments on the property they owned together. Applicant had complete confidence in his partner. However, in 2009, his partner filed for bankruptcy both in his personal and corporate capacity, leaving Applicant with the total burden of paying the entire mortgage payments on properties they purchased jointly.

Applicant described his predicament as the "perfect storm." He explained that several catastrophic events happened to him during a three-year period: (1) The government's new requirements for his type of business caused him to lose his source of income because he could not secure government contracts without the new equipment. He estimated his loss of income was \$4.5 million; (2) To keep his business running and maintain employment for his 240 workers, he had to invest \$4.5 million to retool and upgrade equipment to meet the new government requirements in a year and a half; (3) To get money to finance the retooling and upgrading of the equipment, he refinanced some of his real estate investments. Refinancing to obtain money became problematic as the economy declined and his real estate investments declined; (4) His real estate partner, who was to pay half on some of the mortgages on property they held jointly, filed for bankruptcy, leaving Applicant responsible for paying the entire amounts owed. Applicant stated the fourth quarter of 2008 and all of 2009 were his worst financial periods.<sup>2</sup>

Applicant explained that he made a business decision that it was more important for him to keep his business operating, thereby ensuring his employees did not lose their source of income, then to pay some of his bills. To do this, he had to spend his resources to upgrade the business's equipment so it could compete for government contracts. He decided he would have to default on some of his real estate mortgages because he did not have enough money to pay the mortgages and invest in the new equipment. Some of Applicant's employees had worked for him since he started his business, and he felt a moral obligation to take care of his people.<sup>3</sup>

Applicant also was aware that he was unable to pay his payroll taxes for a period of time because he was using all of his resources to pay for the new equipment. He readily admitted he knew he had an obligation to pay his payroll taxes, but made a decision that it was better to stay in business, keep his employees employed, and once

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<sup>2</sup> Tr. 100-104.

<sup>3</sup> Tr. 108-112.

his business turned around, he could pay the taxes. He understood this would be a costly decision because he would also owe penalties and interest on the delinquent payroll taxes. If he paid the payroll taxes upfront, he would not have had the money to keep his business operating. By taking this approach, the business was able to maintain all of its employees. From 1984 to 2006, Applicant had paid his payroll taxes on time.<sup>4</sup>

In November 2009, Applicant's company was awarded a government contract. Applicant stated his company is again the preferred contractor for the specialized work required by the government. Applicant's business has made a complete turnaround. Its revenue increased in 2010 by 18 per cent and in 2011 by 12 per cent. Applicant provides full health benefits and a pension plan for his employees. He also provides training for them so they can obtain certifications to meet government requirements. His company owns its own buildings and property.<sup>5</sup>

Applicant filed for Chapter 11 bankruptcy on March 9, 2012. Except as noted below, Applicant's debts are included in a Chapter 11 bankruptcy reorganization plan.<sup>6</sup>

The debts in SOR ¶¶ 1.a (\$172,000) and 1.b (\$274,000) are state tax liens for the sale of real estate in 2004 and 2006. Applicant credibly stated that he was unaware that capital gains taxes applied to the sale of real estate. The amounts include penalties and interest. He hired an attorney in the state where the real estate is located, to arrange a payment schedule, and the attorney failed to act timely. He hired new attorneys who are aggressively addressing the issue and have advised him that they believe he should not have to pay capital gains because the proceeds were used to purchase new property. If it is not a taxable event, Applicant may be due a refund. Applicant has already paid \$89,000 on the tax lien in SOR ¶ 1.a. This matter is being addressed and disputed by his attorneys. Applicant fully intends to pay any amounts due when the issues are resolved. Applicant provided documents to show his efforts in disputing the liability and his attempts to resolve the debts.<sup>7</sup>

Applicant disputes the debt in SOR ¶ 1.c (\$18,493). Applicant was a silent partner in a company where he invested \$50,000. The president of the company applied for a line of credit, and later the company was dissolved. It has been 14 years since its dissolution. Applicant does not believe he is liable as he did not have any part in running the company and was merely an investor. He has no idea where the president of the company is located. Applicant lost his investment.<sup>8</sup>

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<sup>4</sup> Tr. 104-112.

<sup>5</sup> Tr. 136-139.

<sup>6</sup> GE 15, 16, 17, 18, and 19; AE R.

<sup>7</sup> Tr. 83-90; GE 3, 4; AE O.

<sup>8</sup> Tr. 90-95.

The debt in SOR ¶ 1.e (\$420,000) is a mortgage for real estate property that was in foreclosure. Applicant has been attempting since 2009 to resolve the debt and requested reinstatement after submitting payments to the mortgage company. The checks were returned. Applicant's reinstatement request was denied and the property has been submitted for a short sale. The property was purchased in 1999. Applicant's real estate broker testified he has received three offers on the property. The process to complete a short sale is lengthy and time consuming. The real estate broker estimated it could take six to nine months to complete the process. Applicant's real estate broker continues to pursue the short sale of the property to resolve the debt. Documents were provided to show Applicant's continuing efforts since April 2009 to resolve this debt.<sup>9</sup>

The debt in SOR ¶ 1.f (\$472,000) is a mortgage on property that was in foreclosure. Applicant attempted to get the property reinstated but the creditor refused. The property was purchased in 2001. Applicant's real estate broker has received an offer for this property and he has counter-offered. Applicant and his real estate broker anticipate that once they agree on a price, the property will also be submitted for a short sale. Applicant's real estate broker continues to pursue the short sale of the property to resolve the debt. Documents were provided to show Applicant's continuing efforts since April 2009 to resolve this debt.<sup>10</sup>

Both properties in SOR ¶¶ 1.e and 1.f were held by a mortgage company that is being investigated about their foreclosure practices. It has been very difficult to get them to respond to requests. In April 2009, Applicant's attorney attempted to submit payments for the properties and the checks were returned.

Applicant's real estate broker estimated that Applicant currently receives about \$65,000 in net monthly rental income. In 2006 and 2007, he was operating at a net loss of about \$120,000 to \$130,000 a month. As the economy improves, Applicant's real estate investments are becoming more profitable.<sup>11</sup>

The debt in SOR ¶ 1.g (\$211,000) is for a mortgage. Applicant secured a modification of the loan. The defaulted amount has been resolved through the modification, and it is in a current status. Documentation was provided of the agreement.<sup>12</sup>

The debt in SOR ¶ 1.h (\$2,023,855) is a federal tax lien for the unpaid payroll taxes as discussed above. The tax amount is from tax years 2006 to 2009. Applicant worked with an Internal Revenue Service (IRS) agent and secured an agreement to pay \$50,000 a month to resolve the tax liability. After the agreement was made, a new agent

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<sup>9</sup> Tr. 27-38, 45-52, 70, 95-100; GE 3; AE A, B, C, D, E, F, H, P.

<sup>10</sup> Tr. 27-38, 45-52, 70, 96-100; GE 3; AE H, P.

<sup>11</sup> Tr. 40-45, 56-57, 70, 97-100; AE H, P.

<sup>12</sup> Tr. 104-105; GE 3; AE H, I.

filed the tax lien. Applicant had previously been advised that a lien would not be filed because he already had an agreement. The former agent could not release the lien once it was filed. Applicant had been making monthly payments of \$50,000 beginning in September 2010. In September 2011, he increased the payments to \$80,000. He is resolving the debt.<sup>13</sup>

The debt in SOR ¶ 1.i (\$563,282) is Applicant's personal federal tax liability for 2010. Applicant's attorney is in negotiations with the IRS to secure a payment schedule. This tax liability is for additional income that was earned at the end of 2010. Applicant did not pay estimated tax on the income. He used business profits from that year to pay other debts. He was aware he owed this money and knew he would incur penalties and interest, but decided to pay other debts first. He is resolving the debt.<sup>14</sup>

The debt in SOR ¶ 1.j (\$943,266) is a judgment against Applicant for property that was surrendered. The judgment was released when Applicant forfeited the deed to the property. There is a zero deficiency on the judgment. Documentation was provided. The debt is resolved.<sup>15</sup>

The debt in SOR ¶ 1.k (\$7,552,054) is a judgment against Applicant pursuant to foreclosure proceedings on property that Applicant purchased in 1986. He refinanced the loan in 2004 and paid it until he began having financial problems in 2007 and 2008. This property is included in the Chapter 11 bankruptcy and is presently in mediation. It is yet to be determined whether the property will be surrendered with no deficiency owed or whether the loan will be reinstated. The debt is being resolved.<sup>16</sup>

The debt in SOR ¶ 1.l (\$301,171) is a judgment. An investor bought the note on the property. The investor did not want it included in the Chapter 11 bankruptcy, so Applicant released the property and they agreed there would be no deficiency owed. Because the investor was going to object to the property being included in the Chapter 11, Applicant and the other creditors were concerned that this could derail the entire process, so Applicant agreed to surrender the property.<sup>17</sup>

The debt in SOR ¶ 1.m (\$389,817) is a judgment for commercial property. There is a forbearance agreement with the creditor which will release the judgment. It is included in the Chapter 11 bankruptcy reorganization. The forbearance agreement dictates what payments will be made on the property. Documents were provided.<sup>18</sup>

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<sup>13</sup> Tr. 106-112, GE 5, 6, 7; AE I.

<sup>14</sup> Tr. 112-114; GE 5, 6, 7.

<sup>15</sup> Tr. 67-69, 73-74, 115-117; GE 8; AE Q.

<sup>16</sup> Tr. 57, 117-120; GE 9; AE G, R.

<sup>17</sup> Tr. 64-67, 120-122; GE 10; AE J.

<sup>18</sup> Tr. 64-67; 122-125; GE 11; AE K, R.

The debt in SOR ¶ 1.n (\$932,009) was for commercial property that Applicant had purchased with his partner, who then filed for bankruptcy. Applicant gave the property back to the creditor and paid \$75,000 to settle the remaining deficiency. Documents were provided.<sup>19</sup>

The debt in SOR ¶ 1.o (\$2,635,136) was a judgment for commercial property. Applicant was making payments to the creditor of \$10,000 a month for eight months per an agreement and then the payment went up to \$20,000 per month. Applicant could not meet the payments. He attempted to return the property to the creditor, but it did not want to sell it. It was agreed that Applicant would attempt to sell the property over the next six months and no mortgage payments would be due during that time. In May 2012, the two parties will meet for mediation. Applicant is hopeful the property will sell. If it does not, Applicant is hopeful the creditor will take it back. The property is appraised for more than the amount of the judgment. It is included in the Chapter 11 bankruptcy reorganization plan. The debt is being resolved. Documents were provided.<sup>20</sup>

The debt in SOR ¶ 1.p (\$1,853,868) is for a mortgage on property that was defaulted on. It is not included in the Chapter 11 bankruptcy reorganization. The property was returned to the creditor and there is a \$200,000 deficiency. Applicant has paid \$95,000 and is making monthly payments of \$7,500. The debt is being resolved. Documents were provided.<sup>21</sup>

Applicant and his wife started a school about 20 years ago. It is for underprivileged students, who are both gifted and those with special needs. Those that cannot afford to pay the tuition are subsidized. They have used their personal funds to finance the school. His wife is its chief administrator. Applicant stated he does not make a profit from the school, but rather most years it loses money. He explained that the school was not started to make money, but rather because of his wife's interest in helping children from all walks of life.<sup>22</sup>

Applicant provided a personal financial statement, and his financial advisor testified on his behalf. Also provided was a list of all properties that Applicant currently owns or has an interest in and their status. All of his properties' mortgages are being paid, except as noted above. Applicant stated he has used his recent profits to pay his debts. He stated he does not live a fancy life style. He does not own fancy cars, or boats. He does not have personal delinquent debts. His family, his name, and his reputation are the most important things to him.<sup>23</sup>

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<sup>19</sup> Tr. 64-67, 126; GE 12; AE L.

<sup>20</sup> Tr. 127-131; GE 13, 14; AE G, S.

<sup>21</sup> Tr. 131-134; GE 13, 14; AE M.

<sup>22</sup> Tr. 140-141; AE G.

<sup>23</sup> Tr. 114-115, 142-143.

Applicant is investigating, along with his financial advisor and attorney, the possibility of establishing an Employee Stock Ownership Plan (ESOP). A certified financial planner put together material about structuring an ESOP and its benefits. The benefit for Applicant is that an ESOP would provide an avenue to obtain over \$4 million dollars by surrendering a percentage of the ownership of his business to his employees. This would also allow Applicant to use a portion of that money to satisfy the remainder of his debts and to invest in new equipment for the business in order to enhance its performance.<sup>24</sup>

A character witness testified on behalf of Applicant. He has known Applicant for more than 25 years. Applicant serves as a deacon in their church. He is considered a man of incredible integrity who helps those in need. He is very involved in philanthropic endeavors, community activities, and he goes the extra mile to help others. He is considered a patriot who loves his country and a man of great character.<sup>25</sup>

### **Policies**

When evaluating an applicant's suitability for a security clearance, the administrative judge must consider the adjudicative guidelines. In addition to brief introductory explanations for each guideline, the adjudicative guidelines list potentially disqualifying conditions and mitigating conditions, which are used in evaluating an applicant's eligibility for access to classified information.

These guidelines are not inflexible rules of law. Instead, recognizing the complexities of human behavior, these guidelines are applied in conjunction with the factors listed in the adjudicative process. The administrative judge's overarching adjudicative goal is a fair, impartial, and commonsense decision. According to AG ¶ 2(c), the entire process is a conscientious scrutiny of a number of variables known as the "whole-person concept." The administrative judge must consider all available, reliable information about the person, past and present, favorable and unfavorable, in making a decision.

The protection of the national security is the paramount consideration. AG ¶ 2(b) requires that "[a]ny doubt concerning personnel being considered for access to classified information will be resolved in favor of national security." In reaching this decision, I have drawn only those conclusions that are reasonable, logical, and based on the evidence contained in the record. Likewise, I have avoided drawing inferences grounded on mere speculation or conjecture.

Under Directive ¶ E3.1.14, the Government must present evidence to establish controverted facts alleged in the SOR. Under Directive ¶ E3.1.15, an "applicant is responsible for presenting witnesses and other evidence to rebut, explain, extenuate, or

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<sup>24</sup> AE T, U, V.

<sup>25</sup> Tr. 144-150.



mitigate facts admitted by applicant or proven by Department Counsel and has the ultimate burden of persuasion to obtain a favorable security decision.”

A person who seeks access to classified information enters into a fiduciary relationship with the Government predicated upon trust and confidence. This relationship transcends normal duty hours and endures throughout off-duty hours. The Government reposes a high degree of trust and confidence in individuals to whom it grants access to classified information. Decisions include, by necessity, consideration of the possible risk the applicant may deliberately or inadvertently fail to safeguard classified information. Such decisions entail a certain degree of legally permissible extrapolation of potential, rather than actual, risk of compromise of classified information.

Section 7 of Executive Order 10865 provides that decisions shall be “in terms of the national interest and shall in no sense be a determination as to the loyalty of the applicant concerned.” See *also* EO 12968, Section 3.1(b) (listing multiple prerequisites for access to classified or sensitive information).

## **Analysis**

### **Guideline F, Financial Considerations**

The security concern relating to the guideline for Financial Considerations is set out in AG ¶ 18:

Failure or inability to live within one’s means, satisfy debts, and meet financial obligations may indicate poor self-control, lack of judgment, or unwillingness to abide by rules and regulations, all of which can raise questions about an individual’s reliability, trustworthiness and ability to protect classified information. An individual who is financially overextended is at risk of having to engage in illegal acts to generate funds.

The guideline notes several conditions that could raise security concerns. I have considered all of the disqualifying conditions under AG ¶ 19 and the following are potentially applicable:

- (a) inability or unwillingness to satisfy debts; and
  
- (c) a history of not meeting financial obligations.

Applicant had significant debts that he was unable to pay for several years. I find there is sufficient evidence to raise the above disqualifying conditions.

The guideline also includes examples of conditions that could mitigate security concerns arising from financial difficulties. I have considered the following mitigating conditions under AG ¶ 20:

- (a) the behavior happened so long ago, was so infrequent, or occurred under such circumstances that it is unlikely to recur and does not cast doubt on the individual's current reliability, trustworthiness, or good judgment;
- (b) the conditions that resulted in the financial problem were largely beyond the person's control (e.g., loss of employment, a business downturn, unexpected medical emergency, or a death, divorce or separation), and the individual acted responsibly under the circumstances;
- (c) the person has received or is receiving counseling for the problem and/or there are clear indications that the problem is being resolved or is under control; and
- (d) the individual initiated a good-faith effort to repay overdue creditors or otherwise resolve debts.

Applicant is an astute businessman. He started his business more than 27 years ago with eight workers, and it has grown to 240 employees. He paid his bills, and taxes, and invested in real estate. He and his wife started a school for disadvantaged children. In approximately 2007, several events beyond his control impacted his ability to pay his bills. All of his business contracts were with the U.S. Government. The government instituted new requirements on the type of work Applicant's company performed. Applicant lost the government contracts because his equipment did not comply with the new requirements. He made business decisions to retool his equipment so he could again be competitive for government contracts, keep his business from shutting down, and so he could continue to employ the 240 people who worked for him. The cost to retool was about \$4.5 million. Applicant attempted to refinance some of his real estate investments so he could have the funds to retool. During this period of time, there was a national economic downturn. Applicant delayed paying his payroll taxes, so he could keep his business running. He was aware he would owe additional penalties and interest, but decided this was the best way to save his business. He felt a moral obligation to keep his company running and his workers employed. Applicant also had a business partner who filed bankruptcy, leaving him with sole responsibility for the joint debts that were incurred. Applicant referred to this period in his life as a "perfect storm" where everything happened around the same period of time.

Applicant retooled the equipment and his business has been awarded government contracts. His business is profitable again. He has filed for Chapter 11 bankruptcy to restructure and reorganize his debts. He is making monthly payments on his tax debts. Although faced with very difficult circumstances, Applicant never abandoned his debts. He has systematically addressed each one. He is pursuing other

options to raise revenue so he can expedite repaying all of his debts. Because Applicant is still resolving his debts, AG ¶ 20(a) only partially applies. I find that Applicant found himself in the middle of a confluence of events that were beyond his control. These circumstances are unlikely to recur and do not cast doubt on his current reliability, trustworthiness, or good judgment. I find that Applicant has acted responsibly under the circumstances. He first sought to protect his business and keep it running for his employees. He knew his decisions would cost him additional money, but after weighing the consequences, he chose to use the money he had to retool the equipment and once again become competitive. His plan worked, and the business is again profitable. Applicant is now addressing the debts he delayed paying. I find AG ¶ 20(b) applies.

Applicant sought counsel from his attorneys and financial officer. He filed Chapter 11 bankruptcy and is addressing his debts. He is also researching the prospect of raising additional revenue through an ESOP so he can expedite resolving his remaining debts and further invest in his business. He has payments plans with the IRS and has consistently made his monthly payments. Applicant was unaware of the tax consequences when he sold two properties in another state. He hired an attorney to help him resolve the debts, but the attorney failed to act promptly. He has since hired a new attorney who is disputing the tax liability, questioning whether capital gains taxes should have been charged in the first place, based on Applicant's sale and reinvestment. That matter continues to be addressed and has not yet been resolved. If it is resolved against Applicant, then he intends to pay the debt. I find there are clear indications that his financial problems are being resolved and are under control. He is acting in good faith by resolving his remaining debts. I find AG ¶ 20(c) and 20(d) apply.

### **Whole-Person Concept**

Under the whole-person concept, the administrative judge must evaluate an applicant's eligibility for a security clearance by considering the totality of the applicant's conduct and all the circumstances. The administrative judge should consider the nine adjudicative process factors listed at AG ¶ 2(a):

- (1) the nature, extent, and seriousness of the conduct;
- (2) the circumstances surrounding the conduct, to include knowledgeable participation;
- (3) the frequency and recency of the conduct;
- (4) the individual's age and maturity at the time of the conduct;
- (5) the extent to which participation is voluntary;
- (6) the presence or absence of rehabilitation and other permanent behavioral changes;
- (7) the motivation for the conduct;
- (8) the potential for pressure, coercion, exploitation, or duress; and
- (9) the likelihood of continuation or recurrence.

Under AG ¶ 2(c), the ultimate determination of whether to grant eligibility for a security clearance must be an overall commonsense judgment based upon careful consideration of the guidelines and the whole-person concept.

I considered the potentially disqualifying and mitigating conditions in light of all the facts and circumstances surrounding this case. I have incorporated my comments under Guideline F in my whole-person analysis. Some of the factors in AG ¶ 2(a) were addressed under that guideline, but some warrant additional comment. Applicant had events beyond his control seriously impact his ability to compete for government contracts, maintain his business, and continue to pay his debts. This occurred during a period of time when the nation faced a serious economic downturn and increased unemployment. Applicant made a business and moral decision not to pay certain debts, so he could make a capital investment in his company. This allowed him to keep his business running and keep those who worked for him employed. It has taken several years, but Applicant's company is again profitable. He is still recovering financially. He did not abandon his responsibility to pay his debts or his taxes. He has been working diligently to resolve his debts through several means, including Chapter 11 bankruptcy reorganization. I considered Applicant's demeanor, candor, and willingness in answering all questions during his hearing. I had an opportunity to judge his credibility. I found Applicant to be forthright and honest. I find he is not a security risk and he has sufficiently addressed all security concerns. Overall, the record evidence leaves me with no questions or doubts about Applicant's eligibility and suitability for a security clearance. For all these reasons, I conclude Applicant mitigated the security concerns arising under the guideline for Financial Considerations.

### **Formal Findings**

Formal findings for or against Applicant on the allegations set forth in the SOR, as required by section E3.1.25 of Enclosure 3 of the Directive, are:

Paragraph 1, Guideline F:	FOR APPLICANT
Subparagraphs 1.a-1.c:	For Applicant
Subparagraph 1.d:	Withdrawn
Subparagraphs 1.e-1.p:	For Applicant

### **Conclusion**

In light of all of the circumstances presented by the record in this case, it is clearly consistent with the national interest to grant Applicant a security clearance. Eligibility for access to classified information is granted.

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Carol G. Ricciardello  
Administrative Judge