

**Adjudication:** The phase of the FOCI process where the information received from the company is reviewed and evaluated to determine what security measures will need to be put in place in order for the company to be eligible for an FCL.

**Affiliate:** The foreign parent and each entity that directly or indirectly controls, is directly or indirectly controlled by (other than the FOCI Mitigated Company and its Controlled Entities), or is directly or indirectly under common control with the foreign parent. It does not differentiate between affiliates in the United States or those in foreign countries.

**Annual Compliance Certification:** An annual certificate for a company under a Board Resolution certifying that the Resolution and all attached schedules are true and correct as of the date of each respective certification.

**Annual Implementation and Compliance Report:** A report generated by a company under a mitigation agreement that lists events, activities, obligated processes, and acts of noncompliance that happened during the reporting period.

**Board Resolution (BR):** A legally binding document from the organization's governing board acknowledging the foreign investors and denying them access to classified or controlled information. Board resolutions are adequate in cases where the foreign investor has a minority stake in the company, is not a member of the governing board, and has no right to appoint or elect a member of the board.

**Convertible Debentures:** Bonds which the holder can exchange for shares of voting stock.

**Committee on Foreign Investment in the United States (CFIUS):** An inter-agency committee authorized to review proposed mergers, acquisitions, or takeovers that could result in control of a U.S. business by a foreign interest in order to determine the effect of such transactions on the national security of the U.S.

**Defense Counterintelligence and Security Agency (DCSA):** The DCSA is an agency of the Department of Defense (DoD) located in Quantico, Virginia. The Under Secretary of Defense for Intelligence provides authority, direction and control over DCSA. DCSA supports national security and the service members, secures the nation's technological base, and oversees the protection of U.S. and foreign classified information in the hands of industry. DCSA accomplishes this mission by clearing industrial facilities, accrediting information systems, facilitating the personnel security clearance process, delivering security education, training, and certification, and providing information technology services that support the industrial and personnel security missions of the DoD and its partner agencies.

**Electronic Communications Plan (ECP):** The ECP puts in place policies and procedures regarding effective oversight of communications. This includes all media, such as telephones, teleconferences, video conferences, facsimiles, cell phones, PDAs, and all other computer communication, including emails and server access. It applies to communications between contractor personnel, the foreign parent and affiliates, and subsidiaries. The ECP is designed to deter and detect influence by the foreign owner, and

unauthorized attempts to gain access to classified or controlled information.

**Electronic Data Gathering, Analysis, and Retrieval Database (EDGAR):** The SEC's electronic filing system that makes SEC filings publically available.

**Facility Security Clearance (FCL):** An administrative determination that, from a security point of view, a company is eligible for access to classified information of a certain category and all lower categories.

**Facility Security Officer (FSO):** A U.S. citizen employee, appointed by a contractor, who will supervise and direct security measures necessary for implementing the NISPOM and other federal requirements for classified information.

**Foreign Ownership, Control, or Influence (FOCI):** A U.S. company is considered to be under FOCI whenever a foreign interest has the power, direct or indirect, whether or not exercised, and whether or not exercisable through the ownership of the U.S. company's securities, by contractual arrangements or other means, to direct or decide matters affecting the management or operations of that company in a manner which may result in unauthorized access to classified information or may adversely affect the performance of classified contracts.

**FOCI Action Plan:** A method applied to negate or mitigate risk of foreign ownership or control. Also referred to as a mitigation instrument. Includes the BR, SCA, SSA, PA, and VTA.

**FOCI Mitigation:** The instruments and agreements put in place to reduce the effect of FOCI on a company's management decisions, and thus reducing the risk of unauthorized access to classified information.

**FOCI Process:** The actions taken by DCSA to ensure a company is not under FOCI to such a degree that granting the FCL would be inconsistent with the national interest of the United States, thus rendering a company eligible for a FCL. The process has four phases: Identification, Adjudication, Mitigation, and Review.

**FOCI Signatory Company:** The legal entity that signed the FOCI Mitigation Instrument, typically the corporate or home office.

**Government Contracting Activity (GCA):** An element of an agency designated by the agency head and delegated broad authority regarding acquisition functions.

**Government Security Committee (GSC):** A permanent subcommittee of the board of directors made up of the Outside Director(s), Proxy Holders, or Voting Trustees and any directors that hold personnel security clearances.

**Industrial Security Representative (IS Rep):** DCSA employee that serves as the liaison between the company and DCSA and has overall industrial security oversight of the company.

**Information System Security Professional (ISSP):** DCSA employee who provides advice and assistance and participates in accreditation and assessments of information systems. An ISSP is a subject matter expert on information systems security in the NISP.

**Inside Director:** The representative appointed by the foreign interest (directly or indirectly) to serve on the Board of an SSA or SCA company. These individuals are formally excluded from access to classified information and their participation in the management of the company is limited to the extent allowed by the mitigation agreement.

**Limited Facility Security Clearance:** A Limited FCL grants the facility the right to obtain specific information related to a program, project, or contract. It may be granted to foreign-owned companies when there is an Industrial Security Agreement with the country of ownership, the release of classified information to the company is in conformity with U.S. National Disclosure Policy, and the GCA provides DCSA with a letter of compelling need.

**Key Management Personnel (KMP):** Company personnel who make key management decisions (generally individuals listed within corporate documents); includes but not limited to board of directors, officers, executive personnel, partners, regents, trustees, senior management officials, and other officials as determined by DCSA. KMP must be granted personnel security clearances or be excluded from access to classified information.

**KMP Exclusion Resolution:** Resolution adopted by the company's governing body in which the governing body agrees to exclude certain officers or directors who do not require access to classified information. This may be implemented for representatives of a foreign parent organization.

**Mitigation Instrument:** A method applied to negate or mitigate risk of foreign ownership or control. Also referred to as a FOCI action plan. Includes BR, SCA, SSA, PA, and VTA.

**National Interest Determination (NID):** A written statement by the GCA affirming that the release of proscribed information to a company operating under an SSA will not harm the national security interests of the United States.

**National Industry Security Program (NISP):** The National Industrial Security Program (NISP) was established by Executive Order 12829 for the protection of classified information released or disclosed to industry in connection with classified contracts. The NISP applies standards for the protection of classified information released or disclosed to contractors of all federal executive branch departments and agencies. Requirements of the NISP are stated in the National Industrial Security Program Operating Manual (NISPOM).

**National Industry Security Program Operating Manual (NISPOM):** A manual issued in accordance with the National Industrial Security Program that prescribes the requirements, restrictions, and other safeguards to prevent unauthorized disclosure of classified of classified information.

**Office of General Counsel (OGC):** The OCG provides legal services to the DCSA and

all of its organizational elements.

**Proscribed Information:** Top Secret (TS), COMSEC material, excluding Controlled Cryptographic Items when unkeyed or utilized with unclassified keys, Restricted Data (RD), Special Access Program (SAP), and Sensitive Compartmented Information (SCI).

**Proxy Agreement (PA):** A mitigation agreement in which the foreign owner maintains ownership of the company but relinquishes most of his or her rights of ownership. . All voting rights are transferred to Proxy Holders, individuals who have no prior involvement with the foreign owner or the company.

**SF 328 (Certificate Pertaining to Foreign Interests):** A 10-question survey designed to help identify the presence of FOCI in an organization, and provides the basis around which the FOCI analysis process is organized.

**Schedule 13D:** Discloses a change update in beneficial ownership of certain registered equity securities.

**Schedule 13G:** Abbreviated version of Schedule 13D.

**Securities and Exchange Commission (SEC):** Government agency that enforces financial security laws.

**Security Control Agreement (SCA):** The mitigation generally used when a company is not effectively owned or controlled by a foreign interest (minority ownership) and the foreign interest is entitled to representation on the company's governing board. The foreign owner still maintains his or her voice in the management of the business through an Inside Director but is denied access to classified or controlled information.

**Special Security Agreement (SSA):** A security agreement that may be imposed in cases of *majority* foreign ownership or control. The foreign owner has a voice in the management of the business through an Inside Director. The SSA is the most common mitigation agreement.

**Street Names:** The term for securities held in the name of a broker or other nominee as opposed to being held by the actual owner of the certificate.

**System of Record:** Database maintained by DCSA that is a repository of information about Department of Defense cleared contractor facilities.

**Technology Control Officer (TCO):** The TCO serves as the principal advisor to the GSC concerning the protection of controlled unclassified information and other proprietary technology and data subject to regulatory or contractual control by the US Government.

**Technology Control Plan (TCP):** The TCP is a document that describes all security measures in place to prevent unauthorized access to classified information and controlled unclassified information, such as export-controlled information. The TCP should address physical access to the buildings and restricted areas, as well as technical access to data

networks and servers.

**Total Capital Commitment:** The total amount of money a company has raised through investors.

**Voting Trust Agreement (VTA):** The most restrictive mitigation agreement. Under a VTA, the foreign owner transfers ownership of the company to the Voting Trustees.