

January 4, 2005

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

BEFORE THE COMMISSION

In the Matter of	)	Docket Nos.	030-5980
	)		030-5982
SAFETY LIGHT CORPORATION	)	License Nos.	37-00030-02
	)		37-00030-08
(Bloomsburg, PA)	)	EA-04-148	

NRC STAFF RESPONSE TO  
SAFETY LIGHT CORPORATION MOTION TO SET ASIDE  
THE IMMEDIATE EFFECTIVENESS OF ORDER SUSPENDING LICENSE

INTRODUCTION

On December 10, 2004, the U.S. Nuclear Regulatory Commission staff (Staff) issued an "Order Suspending License (Effective Immediately)" (Order), pursuant to 10 C.F.R. § 2.202, suspending two licenses held by Safety Light Corporation (Licensee or SLC) based on (1) SLC's willful failure to make payments to the decommissioning trust fund as required by License Conditions 16 and 20.A of License Nos. 37-0030-02 and 37-00030-08, respectively, and 10 C.F.R. § 30.35 and (2) the effect of this willful failure on public health, safety and interest. Order at 2, 5-8.

By motion dated December 29, 2004, SLC moved that the Order be set aside, arguing that the Order, including the need for immediate effectiveness, is not based on adequate evidence but on mere suspicion, unfounded allegations, or error. Safety Light Corporation Motion to Set Aside Immediate Effectiveness of Order Suspending License (Motion), at 1. SLC asserts that the decision to suspend licensed activities on an immediately effective basis was

erroneous.<sup>1</sup> Motion at 14. For the reasons discussed below, the immediate effectiveness of the Order was based on adequate evidence and the Motion should be denied.<sup>2</sup>

#### BACKGROUND

SLC is the holder of two Byproduct Materials Licenses issued pursuant to 10 C.F.R. Part 30 for the facility at 4150-A Old Berwick Road near Bloomsburg, Pennsylvania. License No. 37-00030-02 authorizes SLC to characterize and decommission its contaminated facilities, equipment and land and License No. 37-00030-08 authorizes SLC, *inter alia*, to manufacture self-luminous signs and foils using tritium. *Safety Light Corp.* (Materials License Amendment), LBP-04-25, 60 NRC \_\_\_\_ (Nov. 9, 2004), slip op. at 3. Both licenses were last renewed on December 28, 1999, were to expire on December 31, 2004. The licenses, a renewed in 1999, included an exemption from the financial assurance for decommissioning requirements set forth in 10 C.F.R. §§ 30.32 and 30.35, requested by SLC on the basis of its lack of sufficient funds at the time to assure adequate financial ability to decommission the facility and upon its commitment (as codified in license conditions) that SLC make specified payments. See Order at 1-2. See LBP-04-25, at 3-4. Conditions 16 and 20.A of SLC License Nos. 37-00030-02 and 37-00030-08, respectively, require SLC to make monthly payments (of \$7,000 per month in 2000, \$8,000 per month in 2001 and 2002, and \$9,000 per month in 2003 and 2004) to a decommissioning trust fund during the five-year license term to support decommissioning

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<sup>1</sup> By letter dated December 29, 2004 (Attachment A), the Staff approved a shutdown plan submitted by SLC in response to the Order, and, based on Licensee's demonstration of good cause, relaxed Sections V.B.1, V.B.2, and V.B.4 of the Order to allow SLC (1) to receive new light sources through January 31, 2005, in order to fulfill contractual obligations and (2) receive and process exit signs or other devices containing licensed materials that are returned by its customers to the extent that SLC can transfer tritium source tubes from those signs to an authorized recipient by March 31, 2005. SLC indicates that regardless of whether its requested relief is granted, that SLC and its employees will be irreparably harmed and that there is a risk that SLC's business could be "destroyed" before any hearing on the Order is completed. See Motion at 2.

<sup>2</sup> Given that the Motion was received via electronic mail after 6 p.m. on December 29, 2004, the Staff is filing this response on this date consistent with 10 C.F.R. § 2.306.

activities. Order at 1-2. The exemption included in each license condition expired by its own terms in the event that SLC failed to make the prescribed payments. Affidavit of George C. Pangburn, dated January 4, 2005 (Pangburn Affidavit), at ¶ 5.

As of the date of the Order, SLC had failed to make required payments totaling \$36,000 plus interest to the decommissioning trust fund. Order at 4; Pangburn Affidavit at ¶ 9.

SLC admits that it did not make the required payments to the decommissioning trust fund and that the shortfall was \$36,000 plus interest as of November 30, 2004. See Motion at 11-12; Answer “Safety Light Corporation Answer to and Request for Hearing on Order Suspending License (Effective Immediately), dated December 29, 2004, at 2.

#### DISCUSSION

##### A. Legal Standards for Issuing and Challenging an Immediately Effective Order

Section 2.202 of NRC regulations provides that the Commission may, upon finding that the public, health, safety or interest so requires or that the violation or conduct causing the violation is willful, make an order immediately effective. 10 C.F.R. § 2.202(a)(5). These regulations are consistent with section 9(b) of the Administrative Procedure Act, 5 U.S.C. § 558(c), and due process principles. Due process requires only that an opportunity for hearing be granted at a meaningful time. *Advanced Medical Systems, Inc.* (One Factory Row, Geneva, Ohio 44041), CLI-99-6, 39 NRC 285, 299-300 (1994), *aff'd*, *Advanced Medical Systems, Inc. v. NRC*, 61 F.3d 903 (6th Cir. 1995).

The Commission has determined that, since it must rely on the integrity of individuals involved in licensed activities, immediately effective orders may be issued when there are willful violations and where the public, health, safety, and interest indicate a need for immediate action. “Revisions to Procedures To Issue Orders: Challenges to Orders that Are Made Immediately Effective,” 57 Fed. Reg. 20194, 20195 (May 12, 1992). Willfulness alone may serve as a basis for issuing an immediately effective order. *See also Lawrence v. CFTC*,

759 F.2d 767, 773-774 (9th Cir. 1985) (license suspended for willful failure to pay a civil penalty; show that the ongoing act was intentional as opposed to accidental); *Potato Sales Co. v. USDA*, 92 F.3d 800, 805 (9th Cir. 1996) (suspension of license based on willfulness alone if the violator does an act which is prohibited or acts with careless disregard for statutory requirements). The Commission has indicated that immediately effective orders in cases of willfulness “may be necessary to restore reasonable assurance that the public health, safety and interest would be protected.” 57 Fed. Reg. at 20195.

Section 2.202 provides that the immediate effectiveness of an order may be set aside on the ground that the order, including the need for immediate effectiveness, is not based on adequate evidence, but rather on mere suspicion, unfounded allegations, or error. 10 C.F.R. § 2.202(c)(2)(i); *St. Joseph Radiology Associates, Inc. and Joseph L. Fisher, M.D. (d.b.a. St. Joseph Radiology Associates, Inc., and Fisher Radiological Clinic)*, LBP-92-34, 36 NRC 317, 319 (1992). The “adequate evidence” test is similar to the probable cause test necessary for an arrest and exists when “facts and circumstances within the NRC staff’s knowledge, of which it has reasonably trustworthy information, are sufficient to warrant a person of reasonable caution to believe that the charges specified in the order are true and that the order is necessary to protect the public health, safety, or interest.” 57 Fed. Reg. at 20196. See *Advanced Medical Systems, Inc.*, CLI-94-4, 39 NRC 285, 301-02 (1994). A motion to set aside the immediate effectiveness of the order must state with particularity the reason why the order is not based on adequate evidence and must be accompanied by affidavits or other evidence relied on by the person challenging the immediate effectiveness. 10 C.F.R. § 2.202(c)(2)(i). The Staff response should present evidence supporting both the order and the decision to make the order immediately effective. 57 Fed. Reg. at 20196.

B. The December 10 Order and the Reasons for Immediate Effectiveness Are Based on Adequate Evidence

Although SLC's motion is supported by an affidavit of the Vice President of SLC, it fails to provide any information that would support a conclusion that the Order is based only on mere suspicion or error. See, e.g., Motion at 11-12. Rather, the Motion as well, as SLC's answer to the Order, which was filed contemporaneously with the Motion, confirm that the Order and the reasons for immediate effectiveness are based on adequate evidence.

William Lynch, Vice-President of SLC, admits that SLC had not paid the amount in arrears through November 30, 2004, as of December 10, 2004. Safety Light Corporation Answer to and Request for Hearing on Order Suspending License (Effective Immediately), dated December 29, 2004 (Answer) at 2; Motion at Affidavit of William Lynch, dated December 29, 2004 (Lynch Affidavit), at ¶ 6. Based on interviews with Mr. Lynch and the Plant Manager and statements made during a July 20, 2004, predecisional enforcement conference, the Staff determined that it was primarily Mr. Lynch's decision not to pay the NRC, based on his judgment about possible harm to his business if the required escrow payments were made. Pangburn Affidavit at ¶ 8; NRC Office of Investigations Report No. 1-2003-056, at 9.<sup>3</sup> The Office of Investigations concluded that, because SLC knew that monthly payments were a condition of its licenses and that its failure to make these payments violated the terms of the exemption granted in its license, SLC's decision to pay vendors, employees, other contractors instead of the NRC was deliberate. See Pangburn at ¶ 8; OI Report at 11-12. Therefore, SLC's conduct was willful.

Regardless of SLC's perceived business reasons for repeated nonpayment (or untimely payment) of the monthly amounts, the requirement to make prescribed payment to the

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<sup>3</sup> SLC's Motion also demonstrates that SLC knew that both of its licenses contained a requirement that monthly deposits be made into the decommissioning trust fund, but that SLC made the conscious decision not to make those payments. See Motion at Lynch Affidavit at 2-4.

decommissioning trust fund set forth in its licenses was not discretionary or dependent upon SLC's interpretation of what was good for its business. See Pangburn Affidavit at ¶¶ 5, 10. The condition included in both licenses specifically provided that, pursuant to 10 C.F.R. § 30.11, SLC is exempted from the provisions of 10 C.F.R. §§ 30.32 (h) and 30.35(a) through 30.35(f), provided that SLC "set aside from operating funds *or any other funds*, except insurance litigation funds," the monthly payment in amounts ranging from \$7,000 to \$9,000 during the term of the license. Pangburn Affidavit at ¶ 5 (emphasis added). Significantly, each condition included a provision that "the exemption is valid until the date shown in Item 4 [the December 31, 2004 expiration date] or the date of any failure to comply with this license condition." *Id.* SLC assertions about a "down turn in business" or slow down in the economy, see Motion at 4-5, do not dispute that SLC management was knowledgeable about NRC licensing requirements as well as the terms of the exemption granted with the 1999 license renewal and, therefore, reflect a conscious, deliberate decision not to make timely escrow payments. The failure to make monthly payments as prescribed by Conditions 16 and 20.A of its licenses, in essence, invalidated the exemption granted and placed SLC in deliberate violation of NRC financial assurance requirements for decommissioning. See Pangburn Affidavit at ¶ 10.<sup>4</sup>

The Staff's decision to issue an immediately effective order was based on adequate evidence. The Office of Investigations documented the investigation of whether SLC willfully failed to comply with the financial assurance requirement for decommissioning, and concluded that SLC's failure to comply with the license condition that incorporated the subject exemption was willful (*i.e.*, deliberate). See Pangburn Affidavit at ¶¶ 3-8. Interviews of the SLC officials

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<sup>4</sup> SLC argues that the exemption was voidable and not "void" as of the dates of nonpayment and remains in effect. See Answer at 3-4. Because the exemption was granted on the express condition of payment of the prescribed amounts at the designated intervals, SLC failure to make the required payments on a timely basis caused the exemption to expire by its own terms. In any event, the action taken by the Staff in suspending the license (as well as the Staff's denial of SLC's license renewals) makes it clear that the exemption is no longer valid.

established that responsible officials were aware of the license conditions and knowingly and repeatedly violated the license conditions requiring payments into the decommissioning trust fund in the specified amounts at the prescribed intervals. *Id.* at ¶¶ 6-8. Statements made during the predecisional enforcement conference also confirmed OI's finding of willfulness. See *id.* at ¶ 8. Rather than comply with the terms of its licenses which were material to the renewals granted in 1999, SLC knowingly and deliberately chose not to make deposits into the fund, and, instead, to make payments to others. *Id.* These facts are not in dispute and provided an adequate basis to issue the Order based on willfulness.

C. The Protection of Public Health, Safety and Interest Required that the Order Be Immediately Effective

The Order and its immediate effectiveness was also required based on protection of the public health, safety and interest. The objective of the Commission's decommissioning rule is to provide reasonable assurance that adequate funds are available to ensure that decommissioning can be accomplished in a safe manner and that the lack of funds does not result in delays that may cause health and safety problems. Decommissioning Criteria for Nuclear Facilities [Proposed Rules], 50 Fed. Reg. 5600, 5602 (Feb. 11, 1985). The Commission has indicated that although "decommissioning is not an imminent health and safety problem, . . . [i]nadequate or untimely consideration of decommissioning, specifically in the areas of planning and financial assurance, could result in significant adverse health, safety and environmental impacts." General Requirements for Decommissioning Nuclear Facilities [Final Rule], 53 Fed. Reg. 24018, 24019 (June 27, 1988). Such impacts "could lead to increased occupational and public doses, increased amounts of radioactive waste to be disposed of, and an increase in the number of contaminated sites." *Id.*

A fundamental aspect of the decision whether to grant a materials license (or renewal of such license) is a determination as to whether decommissioning financial assurance requirements have been met. 10 C.F.R. §§ 30.32(h), 30.35. Financial assurance for

decommissioning in the form provided in the license conditions is safety significant because the required payments reflect the basis for the exemption from decommissioning financial assurance requirements and provided the mechanism for accumulation of funds to be used for disposal of radioactive waste that is currently being stored at the facility. Pangburn at ¶¶ 11. The Order was made immediately effective because it included actions that the licensee needed to take immediately in order to ensure that SLC properly planned and conducted shutdown activities that were to commence beginning January 1, 2005 -- the date the licenses were suspended and the day following the expiration of the unexpired licenses. *Id.* at ¶¶ 4, 12. The failure of SLC to make required payments to the decommissioning trust fund resulted in insufficient funds being available to pay for disposal of certain radioactive waste exhumed from the silos at the Bloomsburg site. Pangburn Affidavit at ¶ 11. Given that providing financial assurance as set forth in the license conditions was material to the granting of the renewed licenses and, due to their repeated and deliberate failure to make the required payments, SLC was in violation of NRC requirements, the NRC lacked reasonable assurance that SLC operations could be conducted in compliance with NRC requirements and that public health and safety would be protected. Order at 5-6; Pangburn Affidavit at ¶¶ 4, 10-12.<sup>5</sup> Therefore, the public health, safety and interest required that the Order be immediately effective.<sup>6</sup>

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<sup>5</sup> SLC suggest that the factual summary of the OI report indicates that there was no 10 C.F.R. § 30.9 violation due to the lack of health and safety significance. See Motion at 10. While OI conclusions regarding safety are not dispositive, the statements did not reflect consideration of the safety significance of financial assurance requirements for decommissioning.

<sup>6</sup> The Environmental Protection Agency has proposed to include SLC's Bloomsburg site on the National Priorities List. See National Priorities List for Uncontrolled Hazardous Waste Sites, Proposed Rule No. 41, 69 Fed. Reg. 56970, 56976 (Sept. 23, 2004).

CONCLUSION

For the reasons set forth above, the immediate effectiveness of the Order was based on adequate evidence and, therefore, the Motion should be denied.

Respectfully submitted,

***/RA/***

Mitzi A. Young  
Counsel for NRC Staff

Dated at Rockville Maryland  
this 4th day of January 2005

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

BEFORE THE COMMISSION

In the Matter of	)	
	)	Docket Nos. 030-05980
SAFETY LIGHT CORPORATION	)	030-05982
	)	License Nos. 37-00030-02
(Bloomsburg, PA)	)	37-00030-08
	)	EA-04-148

AFFIDAVIT OF GEORGE C. PANGBURN REGARDING  
IMMEDIATELY EFFECTIVE ORDER ISSUED DECEMBER 10, 2004

I, George C. Pangburn, do hereby state and affirm as follows:

1. I am employed as Director, Division of Nuclear Materials Safety in the U.S. Nuclear Regulatory Commission (NRC), Region I office. My duties include management and oversight of regional technical and administrative staff who conduct licensing, inspection, enforcement and incident response activities for approximately 2500 materials licensees in the eastern United States. One of those licensees is Safety Light Corporation (SLC). A copy of my professional qualifications is attached.

2. I have read the "Safety Light Corporation Motion to Set Aside Immediate Effectiveness of Order Suspending the License," dated December 29, 2004 (Motion), and am knowledgeable about the NRC's bases for issuing the immediately effective Order, dated December 10, 2004.

3. On December 10, 2004, the NRC issued an "Order Suspending License (Effective Immediately)" (Order) to Safety Light Corporation. The Order suspended Licenses Nos. 37-00030-02 and 37-00030-08 on January 1, 2005, except for those activities addressed in a plan for the orderly shutdown of licensed activities over a period beginning on January 1,

2005 and ending March 31, 2005. The shutdown plan was to be submitted, by December 20, 2004, for approval by the Regional Administrator, Region I.

4. Section 2.202(a)(5) of 10 C.F.R. Part 2 states that an order may be immediately effective pending further order if the Commission finds that the public health, safety, or interest so requires or that the violation or conduct causing the violation is willful. The willful nature of the violation or conduct described below, as well as the related effect on public health and safety, provided the bases for deciding that this Order should be immediately effective. The Order was made immediately effective because it included actions the licensee needed to take upon issuance in order to ensure that SLC could properly plan and conduct orderly shutdown activities commencing January 1, 2005, in a manner protective of public health and safety and consistent with the public interest.

5. On December 28 1999, the NRC staff issued renewed license Nos. 37-00030-02 and 37-00030-08 to SLC. The renewed licenses contained license conditions that exempted SLC from certain of the Commission's financial assurance requirements. This exemption was granted in response to SLC's request to the Commission for an exemption from the financial assurance requirements for decommissioning contained in 10 C.F.R. §§ 30.32 and 30.35, based on SLC's lack of sufficient funds to assure that adequate financial ability existed to decommission the facility. These conditions required SLC to make contributions to a decommissioning trust fund in accordance with a specific payment schedule. Each license included a license condition that provided that the failure to make the required payments would invalidate the exemption on the date of said failure. License Conditions 16 and 20.A of License Nos. 37-00030-02 and 37-00030-08, respectively, are set forth, as relevant here, below:

Pursuant to 10 CFR 30.11, the licensee is exempted from the provisions of 10 CFR 30.32(h) and 30.35(a) through 30.35(f), provided that the licensee sets aside from operating funds or any other funds, except insurance litigation funds, the following amounts as described in the licensee's letter dated August 3, 1999:

January 1, 2000 and each month thereafter for 12 months: \$7,000;  
January 1, 2001 and each month thereafter for 24 months: \$8,000;  
January 1, 2003 and each month thereafter for 24 months: \$9,000

for a total of \$492,000. These funds shall be deposited into [Trust Account] with the Chase Manhattan Bank (presently assumed by JP Morgan). The use of these funds, including disbursement of assets, shall be governed by the Trust Agreement which established the trust account. This exemption is valid until the date shown in Item 4 [Expiration date December 31, 2004] or the date of any failure to comply with this license condition.

6. In November 2003, the NRC staff became aware that SLC had failed to make certain of the prescribed monthly payments to the decommissioning trust fund. See "Demand for Information," dated December 19, 2003 (69 Fed. Reg. 121 (Jan. 2, 2004)). Upon further review, the NRC staff determined that SLC had not made approximately \$81,000 of the required payments. *Id.* Moreover, SLC's failure to make timely payments extended over a period of approximately two years.

7. On December 19, 2003, the NRC issued a Demand for Information to SLC which, among other things, required SLC to: 1) submit to the NRC a detailed schedule for making all overdue payments, with interest, to the decommissioning trust fund; 2) provide reasons why SLC did not make the required payments to the decommissioning trust fund; and 3) describe why, in light of the SLC's past failure to make all required payments to the trust fund, the SLC licenses should not be modified, suspended, or revoked. 69 Fed. Reg. 121 (January 2, 2004). On January 16, 2004, SLC responded to the Demand for Information and indicated, in part, that SLC could not submit a detailed schedule for making overdue payments given SLC's inability to accurately predict future sales and cash flow. See Motion at Exhibit B (Letter from William E. Lynch, SLC, to Frank J. Congel, NRC).

8. An NRC Office of Investigations (OI) report in this matter (OI Report 1-2003-056, dated March 4, 2004 (OI Report) (Attachment A) determined that SLC had deliberately failed to make the payments. OI concluded that SLC officials knew that a license condition required

monthly payments to the trust fund, but had missed 13 payments over a three-year period, making a conscious decision not to notify the NRC of missed payments until November 2003. OI Report at 12. In the course of the OI investigation, an SLC Manager told the NRC that, although the payments were a license condition, he viewed them as a payment to just another vendor. OI Report at 10. The NRC informed the Licensee of the apparent deliberate violation and held a closed enforcement conference with SLC management on July 20, 2004. Letter from Hubert J. Miller, NRC Region I, to C. Richter White, SLC, dated July 1, 2004 (July 1 Letter) (Attachment B). During that conference Mr. Bill Lynch, Vice President of SLC further indicated that “...we made the decision or I made the decision, I should say, to make sure that our vendors were paid, our employees were paid and that the business had an ongoing value *rather than divert funds to the escrow payments* instead of to those things which would keep us as a viable business.” Transcript of NRC Region I, Predecisional Enforcement Conference: Safety Light Corporation No. EA-03-219, July 20, 2004 (Attachment C), at 18-19 (emphasis added).

9. The Licensee made all of the prescribed deposits from December 2003 through November 2004, and payments of amounts in arrears in December 2003, February 2004, and October 2004. The resulting balance of funds owed to the trust fund was a deficit of \$36,000 plus interest as of November 30, 2004.

10. The obligation to make the specified payments set forth in the license conditions is unqualified and is not subject to the state of SLC's business conditions. The license required that the amounts be paid “from operating funds or *any other funds*, except insurance litigation funds.” See License Conditions 16 and 20.A (emphasis added). The monthly payments in the specified amounts to the trust fund were material to the granting of an exemption to the Licensee in connection with the renewal of its licenses in 1999. Licensee's deliberate failure to make the required payments to the trust fund, as required by License Conditions 16 and 20.A, voided the exemption from the financial assurance requirements of 10 C.F.R. § 30.35, and

placed the Licensee in continuing violation of these license conditions and 10 C.F.R. § 30.35. This resulted in NRC lacking confidence in the ability of SLC to conduct operations in compliance with its license and NRC requirements.

11. Financial assurance for decommissioning is safety significant because the required payments were the basis for the exemption granted in both licenses and the funds were to be used for disposal of radioactive waste stored at the facility. As a result of SLC's failure to make the required payments to the decommissioning trust fund, there were insufficient funds available to pay for disposal of certain radioactive waste exhumed from the onsite silos at the Bloomsburg site. This waste had been characterized and packaged in preparation for shipment and disposal. SLC's funding shortfall led to this waste having to remain at the site for about a year and waste that needed to be processed further was stored outdoors where it was subject to weather-related deterioration, creating a safety concern. The outside storage of these wastes was discussed in section II of Inspection Report Nos. 030005980/2004001 and 030005982/2004001, dated November 4, 2004, which is appended to the Motion.

12. The willful failure to make the prescribed payments into the decommissioning trust fund placed Licensee in violation of NRC requirements and had a related effect on public health and safety. Due to the repeated failure to make required payments in accordance with the conditions of its licenses, there was an adverse affect on SLC's ability to properly process and dispose of accumulated waste from the site, and NRC lacked reasonable assurance that sufficient funds would be available for decommissioning and that the health and safety of the public, including SLC's employees, would be protected. Consequently, the Order was made immediately effective, requiring SLC to suspend licensed activities on January 1, 2005, the day



## GEORGE C. PANGBURN

### EDUCATION:

BA, Geography, University of Pittsburgh, Pittsburgh, PA, 1971

MA, Geography, University of Kansas, Lawrence, KS, 1974

MS, Energy Resources, University of Pittsburgh, Pittsburgh, PA, 1978

Graduate Study in Public Administration, University of Colorado, Denver, CO, 1984-85

### EXPERIENCE:

#### USNRC, Region I, 1997- present

As Director (1999-present) and Deputy Director (1997-1999) for Region I's Division of Nuclear Materials Safety, he oversees a staff of health physicists, radiation specialists and engineers in licensing and inspection of approximately 2500 nuclear materials licensees in the eastern United States, Puerto Rico and the Virgin Islands. He is also responsible for oversight of 14 Agreement State radiation control programs and inspection of decommissioning nuclear reactors and materials sites. His responsibilities for NMSS include program direction and implementation for incident response, licensing, inspection, enforcement, and allegations for materials and decommissioning licensees.

#### USNRC, Office of Nuclear Material Safety and Safeguards, 1992-1997:

As Section Leader in NMSS, responsible for management direction, technical support and programmatic oversight to NRC's regional materials licensing and inspection programs. Also served as Section Leader for fuel cycle licensing programs. Responsible for development and maintenance of inspection guidance and generic communications for materials licensees. Focal point for NMSS participation in Regional and Agreement State program reviews under Integrated Materials Performance Evaluation Program (IMPEP). Provided health physics expertise in response to technical assistance requests and guidance on interpretation of Part 20. Also developed and monitored regional materials budget, monitored regional progress against operating plan goals and administered program support contract funds.

#### USNRC, Office of the Chairman, 1991-92:

As Technical Assistant to the Chairman for NMSS programs, provided policy advice and voting recommendations on a variety of Commission and staff initiatives in the areas of materials use, low-level radioactive waste disposal, decommissioning and fuel cycle. Routinely interacted with other Commission offices, OEDO and program offices in furtherance of Commission policy. Prepared and coordinated Chairman's speeches for NMSS areas. Represented Chairman with Agreement States and various professional and technical interest groups.

#### USNRC, Office of the Executive Director for Operations, 1990-91:

As Technical Assistant to the Deputy Executive Director for Nuclear Material Safety, Safeguards and Operations Support (DEDS), reviewed and provided advice and recommendations on Commission papers, rulemakings and other staff initiatives. Monitored implementation of programs under purview of DEDS, including regional implementation of NMSS programs and

RES rulemakings in the materials, waste and decommissioning areas. Coordinated staff interaction with Commission offices, including review of draft Staff Requirements Memoranda, briefings and Commission information requests.

USNRC, Office of Nuclear Materials Safety and Safeguards, 1986-1990:

Served as Senior Nuclear Safety Scientist and Project Manager in materials, low-level waste and uranium mill tailings program areas. Prepared and, in concert with the LLW Compacts, coordinated NRC's response to the Governor's certification provisions of the Low-Level Radioactive Waste Policy Amendments Act of 1990. Developed guidance for licensees and regional offices on licensing and inspection of extended storage of LLW. Served as Project Manager coordinating the efforts of interdisciplinary teams in NRC's review and concurrence on DOE remedial action plans for uranium mill tailings piles under Title I of the Uranium Mill Tailings Radiation Control Act of 1978.

USNRC, Uranium Recovery Field Office (URFO), Denver, CO, 1983-1986:

Served as Inspector and License Reviewer for conventional uranium milling as well as in-situ recovery licensees in Wyoming and Utah. Also served as Team Leader for interdisciplinary team inspections of uranium recovery facilities. Coordinated licensing and inspection policy with program offices and Agreement States with uranium milling regulatory authority. Provided support and coordination in return of New Mexico's Agreement State uranium milling regulatory program to NRC.

USNRC, Office of Nuclear Materials Safety and Safeguards, 1980-83:

Served as team member in development of 10 CFR 61, Land Disposal of Radioactive Waste, and project manager for preparation of supportive Environmental Impact Statement. Also served as Project Manager for Barnwell LLW disposal facility, including renewal of NRC's special nuclear material license and coordination with the State of South Carolina on LLW disposal issues.

Westinghouse Environmental Systems Department, 1973-80:

As Senior Scientist and Project Manager, responsible for environmental impact and siting studies relative to nuclear and coal-fired electric generating stations and extra-high voltage (EHV) transmission systems, largely in the Western United States.

**AWARDS/ACCOMPLISHMENTS**

Presidential Meritorious Executive Rank Award, 2004  
NRC Meritorious Service Award--Management Excellence, 1996  
Graduate, NRC Senior Executive Service Candidate Program, 1994  
High Quality Increases, 1990, 1991, 1995  
Special Achievement Award, 1992, 1997

Member, Columbia Council and Board of Directors, Columbia, MD, 1995-1997  
Chair and Member, Village Board, Village of Kings Contrivance, Columbia, MD, 1989-93.

Attachment A

**--- WARNING ---**

**SENSITIVE  
ALLEGATION MATERIAL**

THE ATTACHED DOCUMENT CONTAINS MATERIAL WHICH MAY  
RELATE TO AN OFFICIAL NRC INQUIRY OR INVESTIGATION WHICH  
MAY BE EXEMPT FROM PUBLIC DISCLOSURE PURSUANT TO ONE OR  
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**United States  
Nuclear Regulatory Commission**



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# **Report of Investigation**

**SAFETY LIGHT CORPORATION:**

**DELIBERATE VIOLATION OF LICENSE  
CONDITION AND FAILURE TO PROVIDE  
COMPLETE AND ACCURATE INFORMATION**

**Office of Investigations**

Reported by OI: RI

Title: SAFETY LIGHT CORPORATION

DELIBERATE VIOLATION OF LICENSE CONDITION AND FAILURE TO  
PROVIDE COMPLETE & ACCURATE INFORMATION

Licensee:

Safety Light Corporation  
4150 - A Old Berwick Road  
Bloomsburg, PA 17815

Docket No.: 03005982

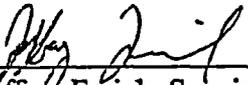
Case No.: 1-2003-056

Report Date: March 9, 2004

Control Office: OI:RI

Status: CLOSED

Reported by:

  
\_\_\_\_\_  
Jeffrey Ferich, Special Agent  
Office of Investigations  
Field Office, Region I

Reviewed and Approved by:

  
\_\_\_\_\_  
Ernest P. Wilson, Director  
Office of Investigations  
Field Office, Region I

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ADVERSE ADMINISTRATIVE ACTION AND/OR CRIMINAL  
PROSECUTION.

## SYNOPSIS

This investigation was initiated by the Nuclear Regulatory Commission (NRC), Office of Investigations (OI), Region I (RI), on November 25, 2003, to determine: 1) if officials of Safety Light Corporation (SLC), Bloomsburg, PA, deliberately failed to make required deposits into a NRC Trust Fund, as specifically required by license condition, and 2) whether the same officials violated the requirements to provide complete and accurate information to the NRC when they failed to timely notify the NRC of the missed payments.

Based upon evidence developed during this investigation, OI concludes that 1) officials of SLC deliberately violated a condition of its license by failing to make the required monthly deposits to the NRC trust fund (missed 13 payments over a three year period), and 2) although SLC officials made a conscious decision not to affirmatively notify the NRC of the missed payments until November 2003, SLC is not in violation of completeness and accuracy of information requirements.

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LIST OF INTERVIEWEES

	<u>Exhibit</u>
MILLER, Marie, Senior Health Physicist, NRC, Region I .....	5
LYNCH, William E., Jr., Vice President, Safety Light Corporation (SLC) .....	6
HARMON, Larry P., Production Manager, SLC .....	7
WHITE, Charles R., 51% Owner/President, SLC .....	8

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## DETAILS OF INVESTIGATION

### Applicable Regulations

#### License Conditions

10 CFR 30.9: Completeness and accuracy of information (2003 Edition)

10 CFR 30.10: Deliberate misconduct (2003 Edition)

### Purpose of Investigation

This investigation was initiated by the Nuclear Regulatory Commission (NRC), Office of Investigations (OI), Region I (RI), on November 25, 2003, to determine if Safety Light Corporation (SLC), Bloomsburg, PA, deliberately failed to make required deposits into a trust fund, as required by license condition, and the reasons SLC failed to notify the NRC, in a timely manner, that the deposits were not being made (Exhibit 1).

### Background

On November 21, 2003, Marie MILLER, Senior Health Physicist, NRC, Division of Nuclear Materials Safety (DNMS), Region I, King of Prussia, PA, was notified by Larry HARMON, Plant Manager, SLC, Bloomsburg, PA, that SLC had not been making the required payments to a trust fund, which was a license condition. SLC was granted an exemption from the financial assurance requirement in Part 30, and the exemption was predicated on making the monthly deposits into the trust fund. On November 24, 2003, an Allegation Review Board (ARB) was convened at NRC R1 to discuss the information that was discovered on November 21, 2003. Through the ARB, it was agreed that OI would investigate SLC's failure to make the required payments to the fund (Exhibit 2).

### Coordination with Regional Staff

OI conferred with D. VITO and DNMS staff. MILLER participated in an interview of a SLC principal. A meeting was held with NRC Region I DNMS and HQ, to include staff from Office of General Counsel (OGC) and Office of Enforcement (OE), after the majority of the investigation was completed.

### Review of Documentation

SLC's 2003 Accounts Payable information, to include the accounting general ledger for accounts payable, a summary schedule of the activity, the vendor check registers and the historical aged trial balances for each month (2003) is available for review. These records will be maintained in the OI case file.

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Allegation: Deliberate Violation of License Condition and Failure to Provide Complete & Accurate Information

Review of Relevant Documents

NRC Materials License 37-00030-02 (Amendment 53) issued to SLC on September 16, 2002, was reviewed. Condition 16 of the license mandates that SLC follow a predetermined schedule for making deposits into a trust fund (Exhibit 3).

SLC letter, dated August 3, 1999, indicating SLC's proposed contributions to the trust fund (Exhibit 4).

Evidence

Interview of DNMS's Marie MILLER, Senior Health Physicist (Exhibit 5)

MILLER was interviewed on December 11, 2003, and stated the following:

In November of 2000, MILLER was assigned the SLC project. SLC's license dictated that monthly payments be made to a trust fund for the remediation of nuclear waste at the SLC facility, Bloomsburg, PA. MILLER's research after being told that the required payments were not being made determined for 2001, SLC failed to make the required payments for May, June, July, and August. SLC made a double payment in October of 2001 and a triple payment in September of 2001, however, SLC remained short approximately 1-2 deposits for the 2001 year. During 2001, MILLER was never contacted by SLC to advise that payments were not being made. During 2000/2001, MILLER's primary contact was with Larry HARMON, Plant Manager, SLC, Bloomsburg, PA, which included several inspections at the Bloomsburg site. During 2000/2001, MILLER had minimal contact with Bill LYNCH, Vice President, SLC - Headquarters, Berwyn, PA.

In 2002, SLC did not make the required payments for February and May, however made double payments for April and October. Even though SLC did not notify the NRC of the missed payments (February and May), SLC deposited the required amount of money for 2002.

For 2003, SLC made payments of \$8000.00 for the months of January and February even though the payments were to have been for \$9000.00 per month. MILLER later determined that these payments were for 2002. SLC made the required \$9000.00 payment for the month of March, and from April to August (inclusive), SLC failed to make any of the required payments. For September, SLC made the payment of \$9000.00, and failed to make the payments for October and November. During 2003, MILLER spoke to LYNCH on approximately ten occasions and personally met with him three times. Also in 2003, MILLER spoke with HARMON on approximately 20 occasions, and met with him eight times. On November 20, 2003, a meeting

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was held to determine how much money was available for waste removal, and it was noted that the account had a projected short fall of \$180,000.00. Nothing was mentioned about the arrears. On November 21, 2003, HARMON finally informed MILLER that he was "cleared" to notify the NRC that the required payments were not being made. MILLER asked HARMON what he meant when he stated "cleared" and HARMON replied that he didn't want to say anything during the November 20, 2003, meeting because he didn't want to embarrass the NRC. MILLER asked HARMON to clarify what he meant by "embarrass" and HARMON stated the fact that the NRC was not checking the account to determine if the payments were being made.

#### Interview of William LYNCH (Exhibit 6)

LYNCH was interviewed on December 15, 2003, and stated the following:

LYNCH is the Vice President of SLC and has held that position at SLC for seven years. LYNCH advised SLC has several NRC licenses and is aware that one license requires monthly deposits to a trust fund. LYNCH also stated he was aware that some of the required payments were not being made, and that he (LYNCH) makes the decision, in conjunction with Larry HARMON (General Manager, SLC, Bloomsburg, PA), whether to make the required monthly payments to the trust fund. LYNCH decides whether a payment will be made to the fund by examining SLC's payables and determining what has to be paid in order to keep the product going out to the customers. LYNCH noted that if payments were made to the trust fund ahead of vendors, SLC would have problems staying in business. LYNCH noted there were discussions regarding what would happen if the payments were not made to the NRC but it was SLC's intention to get caught up. LYNCH stated SLC didn't notify the NRC that payments were not being made because it was always their intention to catch up but business didn't allow it. SLC finally informed the NRC in November of 2003 that the payments were not being made. LYNCH stated that SLC's notification to the NRC that the required payments were not being made may not have been timely, but SLC eventually came forward and advised the NRC that the payments were not being deposited. LYNCH stated in HARMON's defense, that he (HARMON) wanted to bring the fact that the payments were not being made to the attention of the NRC, but he (LYNCH) had hoped ". . . to bring the cash in here to make it current so let's not rock the boat" (pp. 1-12).

#### Interview of Larry HARMON (Exhibit 7)

HARMON was interviewed on December 16, 2003 and provided the following:

HARMON is the SLC, Bloomsburg, PA, Plant Manager and has been employed at SLC for approximately 24 years. HARMON stated that he was aware that SLC's license specifies that money is to be deposited into a trust fund for site clean up and the reason why the payments were not being made is that SLC didn't have the money to do so. HARMON was aware that the payments were not being made because he obtains a "H trial" balance once a week, and can

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determine when the payments are not being made. HARMON noted that it was basically LYNCH's decision whether the payment was or was not made to the trust fund and it also depended on what SLC had to do with payables to vendors to keep SLC going. HARMON advised that the NRC was considered just another vendor on the payables. HARMON stated he would tell LYNCH how much money was needed to keep the business going, the money was deposited in the account, but if there was not enough money, then SLC has to juggle to determine who was paid and who didn't get paid. HARMON related that the months where the NRC was not paid, SLC did make payments to vendors so the business would keep running (pp. 5-9).

HARMON noted that on November 20, 2003, he attended a meeting in which NRC's MILLER, and representatives from several other agencies were present. The purpose of the meeting was to determine how much money was in the trust fund for waste removal and during the meeting it was determined that the account would be approximately \$180,000 short. During this meeting HARMON failed to inform MILLER that SLC had not been making the required payments, and according to HARMON, he didn't say anything because he did not want to embarrass the NRC. HARMON stated that on November 21, 2003, he called MILLER, stated he was "cleared" to tell her, and told MILLER that the payments were not being made. HARMON stated what he meant by "cleared" was that he talked to LYNCH before releasing the information that the payments were not being made. HARMON noted that there were no discussions between himself and LYNCH regarding what would happen if the payments were not made to the NRC fund. HARMON stated there was dialogue between himself and LYNCH that the payments were not being made. HARMON related that although the payments were a license condition, he (HARMON) viewed the trust fund payments as a payment to just another vendor. HARMON reported if a vendor (NRC) was not really after him to pay the bill right away, "we can take care of keeping the place open, generating some cash, and when we get some excess cash, SLC can catch up on the payments." HARMON advised that his belief was when the NRC determined that the payments were not being made, LYNCH, SLC owner WHITE, or the "powers to be," would have to determine what has to be done next (pp. 9-12).

HARMON advised that LYNCH agreed to the terms of the license which included the schedule of payments into the trust fund. HARMON stated that he didn't notify the NRC about the missed payments prior to November 21, 2003, because it was always SLC's contention that catch up payments would be made (pp. 13-15).

HARMON indicated that if SLC was able to ship all of the waste, he (HARMON) probably would not have called MILLER about the missed payments into the trust fund. HARMON opined that even though SLC failed to make the required deposits into the fund, the site doesn't represent a public safety issue. HARMON related that the EPA doesn't feel the site rates high enough to be a Superfund site, the monitoring of off site wells failed to show any migration, and there has not been any increase in contamination in the off site wells that would indicate the levels are over the EPA drinking water limits (pp. 17 and 18).

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HARMON felt that if all of the payments were made to the trust fund on time, then SLC would have gone out of business. The trust fund was never paid in a timely fashion and HARMON looked at the payments as any other invoice that SLC receives from a vendor, 30 day payment. HARMON noted that he never looked at the payments as a license condition. If there were radiological health issues, then that was something that had to be reported to the NRC immediately, not necessarily the missed payments. HARMON questioned why the NRC wasn't checking to determine if the payments were being made (pp. 20-24).

Interview of Charles R. WHITE (Exhibit 8)

WHITE was interviewed by OI and DNMS on February 13, 2004, and provided the following:

WHITE described his position with SLC as President and Vice President of Isolight Corporation and advised he receives a salary from SLC. WHITE advised that he is an investor, owns 51% of SLC, does not get involved in the day to day operation of the company, and has interests in several other companies. WHITE also revealed that SLC is not affiliated with Isolight Corporation; that Isolight Corporation is a buyer of product from SLC. WHITE related that HARMON and LYNCH handle the day to day financial matters with LYNCH having "carte blanche" when it comes to making SLC's financial decisions. WHITE stated that LYNCH and HARMON make the decision whether the payments are made to the trust fund, based on the availability of cash, and he (WHITE) did not know until the Fall of 2003 that the payments were not being made. WHITE noted that when LYNCH told him that the payments were not being made to the fund, he told LYNCH to notify the NRC (pp. 5-11).

WHITE realized that SLC had several licenses issued by the NRC but was unaware that part of the license condition was to make the prescribed payments to the trust fund. WHITE also reported that without the financial assurance exemption, as listed in the license, SLC would not be able to meet the required (estimated \$30-\$100 million dollars) financial assurance guarantee. WHITE noted that when SLC received their NRC license, LYNCH informed the NRC that he (LYNCH) would make every effort to make the payments, that the payments were not guaranteed, and the payments to the trust fund would be based on the economy. WHITE stated if the payments were made to the trust fund and not the vendors, SLC would not be in business today. WHITE reported that he reviewed the NRC Demand for Information with LYNCH, and LYNCH subsequently responded to the NRC. WHITE advised that SLC is making every effort to get current, remain current, and if the economy remains strong, SLC will be able to accomplish this (pp. 12-22).

Agent's Analysis

The investigation determined that LYNCH was SLC's primary financial decision maker with input from HARMON. Both LYNCH and HARMON admitted being familiar with the requirements of SLC's NRC license condition that specifically required monthly payments be

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made to the trust fund. LYNCH and HARMON knew that some of the required deposits were not being made to the trust fund. They stated that payments to the trust account were made based on the examination of SLC's payables and determining what needed to be paid in order to keep in business, i.e., raw materials, vendors. Only after a meeting in which it was determined that the trust fund would be short \$180,00.00, was the NRC affirmatively notified that the required payments were not being made.

AGENT'S NOTE: During initial ARB and follow up meeting on February 4, 2004, OI, participated with DNMS, OE, OGC, regional counsel, and other regional staffers regarding whether a 30.9 violation potentially existed. As HARMON testified and NRC agreed, the SLC site was not considered as posing a health risk to the public and for that reason, SLC did not identify that their failure to pay had a significant implication for public health and safety. Therefore, OI does not believe the evidence proves a violation of 30.9 requirements to provide complete and accurate information.

### Conclusion

Based upon the evidence developed during this investigation, OI concludes that 1) SLC's LYNCH and HARMON deliberately violated a condition of its license by failing to make the required monthly deposits to the NRC trust fund (missed 13 payments over a three year period), and 2) although SLC's LYNCH and HARMON made a conscious decision not to affirmatively notify the NRC of the missed payments until November 2003, SLC is not in violation of completeness and accuracy of information requirements.

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## SUPPLEMENTAL INFORMATION

On February 25, 2004, William P. SELLERS, Special Counsel for Regulatory Enforcement, Fraud Section, Criminal Division, U.S. Department of Justice (DOJ), Washington, D.C., was apprised of the results of this investigation. SELLERS declined prosecutorial interest on behalf of DOJ in deference to civil/administrative remedies available to the NRC.

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LIST OF EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
1	Investigation Status Record, dated November 25, 2003 (1 page).
2	Allegation Receipt Report, dated November 24, 2003 (3 pages).
3	SLC License 37-00030-02 (Amendment 53), dated September 16, 2002 (4 pages).
4	SLC letter dated August 3, 1999 with attached SLC letter dated September 1, 1999 (3 pages).
5	Interview Report of Marie MILLER, dated December 11, 2003 (2 pages).
6	Transcript of Interview of LYNCH, dated December 15, 2003 (12 pages).
7	Transcript of Interview of HARMON, dated December 16, 2003 (25 pages).
8	Transcript of Interview of WHITE, dated February 13, 2004 (23 pages).

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# **EXHIBIT 1**

# INVESTIGATION STATUS RECORD

Facility: SAFETY LIGHT CORPORATION Case Agent: FERICH, JEFFREY J (JJF)  
Case Number: 1-2003-056 Date Opened: 11/25/2003  
Docket Number(s): 03005982 ECD: 2/2004  
Priority: High  
Case Code: Materials / Industrial Status: Field Work In Progress  
Primary Alleg Source: NRC Inspector / Technical Staff  
Allegation Number(s): RI-2003-A-0150  
Subject/Allegation: DELIBERATE VIOLATION OF LICENSE CONDITION AND FAILURE TO PROVIDE COMPLETE & ACCURATE INFORMATION

## Monthly Status Report:

11/25/2003: An Allegation Review Board (ARB) was convened to discuss a Staff Suspected Wrongdoing (SSW) involving the Safety Light Corporation (SLC), Bloomsburg, PA. On November 21, 2003, the NRC was informed by an official of the licensee (SLC) that SLC had not deposited into its NRC trust fund several of monthly payments dating back several months. This was specifically required by Condition 16 of their two byproduct Material Licenses (37-00032-02 and 37-00030-08). These licenses were last renewed on December 28, 1999, with an exemption from the financial assurance requirements regarding decommissioning set forth in 10 CFR 30.32 and 30.35. This exemption was requested due to SLC's having insufficient funds at the time to assure that adequate financial ability existed to decommission the SLC site. The NRC specifically approved the exemption (amendment 51) for license No. 37-00030-02 with the caveat that SLC make specified monthly payments into an NRC trust fund to support decommissioning activities, i.e., remediate the site and adequately secure radioactive material (RAM) using money from the trust fund.

The license condition required monthly payments in the amount of \$9,000 to be made for the year 2003, and other amounts in the previous years dating back to December 1999. NRC inspector Marie Miller had conversations with licensee officials on November 20, 2003, about financial matters and was not informed about any problems with respect to the monthly payments. On November 21, 2003, SLC's management telephoned the NRC and informed that they had been "cleared" to tell the NRC that SLC had not made six of the last seven required monthly payments dating back to March 2003. The licensee is in violation of Condition 16 of their license (37-00030-02).

The ARB discussed the issue and agreed that OI would initiate a wrongdoing investigation regarding the alleged deliberate failure to make the specifically required monthly payments in accordance with Condition 16 of the above license. Additionally, there had been ample opportunity for the SLC to notify the NRC of their failure to make the monthly payments and they did not do so until November 21, 2003. This is a potential violation of the requirement to provide complete and accurate information that is material to the NRC. The omission of this information was material to the NRC in that it likely would have resulted in alternate decision making by the NRC regarding the status of SLC's licenses. Potential violations include 10 CFR 30.9 (Completeness and accuracy of information), License Conditions, and 30.10 (Deliberate misconduct). Statute of limitations tolls in or about April 2008. Status: FWP ECD (90 days): 02/2004

Completion Date: Total Staff Hours: 3.0  
Issue Date: Months Open: 0.0  
DOJ Action(s): DOJ Referral Date:  
OI Violation(s): False Statement - No Result, License Conditions - No Result Statute of Limitations Date: 04/01/2008

EXHIBIT /  
PAGE 1 OF 1 PAGE(S)

# **EXHIBIT 2**

Date Received: 11/24/03

Allegation No. RI-2003-A-0150

Received via:  Telephone  In-person  Letter  Facsimile

Employee Receiving Allegation or suspecting wrongdoing: G. Pangburn/M. Milller

Source of information:  NRC staff

Allegor Name: \*

Home Address: \*

Home Phone: \*

City/State/Zip: \*

Allegor's Employer: \*

Allegor's Position/Title:\*

\* Do not complete these sections for issues of staff suspected wrongdoing.

Facility: Safety Light

Docket No. or License No.: 37-00030-08

030-05982

Was allegor informed of NRC identity protection policy?

Yes \_ No \_

SSW

If H&I was alleged, was allegor informed of DOL rights?

Yes \_ No \_ N/A \_

If a licensee employee or contractor,

did they raise the issue to their management and/or ECP?

Yes \_ No \_ N/A \_

Does the allegor object to referral of issues to the licensee?

Yes \_ No \_

Provide allegor's direct response to this question verbatim on the line below:

Was confidentiality requested?

Yes \_ No \_

Was confidentiality initially granted?

Yes \_ No \_ N/A \_

Criteria for determining whether the issue is an allegation:

Is it a declaration, statement, or assertion of impropriety or inadequacy?

Yes

Is the impropriety or inadequacy associated with NRC regulated activities?

Yes

Is the validity of the issue unknown?

Yes

Staff suspected wrongdoing:

[1] Safety Light Corporation (SLC) has two licenses with NRC for its Bloomsburg, PA facility. One is an operational license for the production of tritium exit signs and the other is a decommissioning license for cleanup of legacy materials from past operations. The licenses were last renewed in 1999 after the Commission approved an exemption for SLC from the financial assurance requirements in Part 30. The renewal decision and exemption were predicated on SLC making routine monthly payments into a decommissioning trust fund over the five year term of the license. Since that decision, SLC has had good performance in making these payments. However, late last week (11/21/03) Region I was informed that SLC had not made the required payments since March of 2003 (with the exception of one payment made in September). SLC indicated that, due to a downturn in its worldwide market for tritium exit signs, their ability to make future payments was called into question. SLC also indicated that other, non-NRC, payments were not being made.

Based on the high visibility of this licensee and their license requirements, cognizant NRC staff believe that the licensee had numerous opportunities since March 2003 to inform the NRC of problems in making the required trust fund payments, but apparently chose to neither make the payments nor inform the NRC of the issue.

Functional Area:  Decommissioning Materials      Discipline for each concern:  Wrongdoing

EXHIBIT 2  
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Allegation No.: RI-2003-A-0150  
Site/Facility: Safety Light Corporation  
ARB Date: 11-24-03

Branch Chief (AOC): Bellamy  
Acknowledged: N/A  
Confidentiality Granted: N/A

Issue discussed: Financial Payment Arrangements

Safety Light Corporation (SLC) has two licenses with NRC for its Bloomsburg, PA facility. One is an operational license for the production of tritium exit signs and the other is a decommissioning license for cleanup of legacy materials from past operations. The licenses were last renewed in 1999 after the Commission approved an exemption for SLC from the financial assurance requirements in Part 30. The renewal decision and exemption were predicated on SLC making routine monthly payments into a decommissioning trust fund over the five year term of the license. Since that decision, SLC has had good performance in making these payments. However, late last week Region I was informed that SLC had not made the required payments since March of 2003 (with the exception of one payment made in September). SLC indicated that, due to a downturn in its worldwide market for tritium exit signs, their ability to make future payments was called into question. SLC also indicated that other, non-NRC, payments were not being made.

Based on the high visibility of this licensee and their license requirements, cognizant NRC staff believe that the licensee had numerous opportunities since March 2003 to inform the NRC of problems in making the required trust fund payments, but apparently chose to neither make the payments nor inform the NRC of the issue.

Allegor contacted prior to referral to licensee (if applicable)? n/a

**ALLEGATION REVIEW BOARD DECISIONS**

Attendees: Chair - Pangburn Branch Chief (AOC) - Bellamy SAC - Vito  
OI Rep. - Wilson RI Counsel - Farrar  
Others - Costello, Holody, Psyk (INMS), Morell (OE), M. Miller, Nick

**DISPOSITION ACTIONS:**

- 1) OI to Open Case (1-2003-056)

Responsible Person: Wilson  
Closure Documentation: \_\_\_\_\_

ECD: TBD  
Completed: \_\_\_\_\_

- 2) Draft an Order and Demand for Information to SLC. The Order would require SLC make the payments and interest that are in arrears to the trust fund within 30 days or the license would be suspended. The DFI would call for SLC to provide certain information to NRC that would inform our confidence in how they would perform in the future.

Responsible Person: Bellamy  
Closure Documentation: DFI

ECD: 12/1/03  
Completed: \_\_\_\_\_

**SAFETY SIGNIFICANCE ASSESSMENT:** Potential wrongdoing

**PRIORITY OF OI INVESTIGATION:** High

**ENFORCEMENT STATUTE OF LIMITATIONS CONSIDERATION (only applies to wrongdoing matters (including discrimination issues) that are under investigation by OI, DOL, or DOJ):**

What is the potential violation and regulatory requirement? 10 CFR 30.9(b), License Condition 16

When did the potential violation occur? April 2003

(Assign action to determine date, if unknown)

Once date of potential violation is established, SAC will assign AMS action to have another ARB at four (4) years from that date, to discuss enforcement statute of limitations issues.

NOTES: 10 CFR 30.9(b) requires, in part, that each licensee shall notify the Commission of information identified by the licensee as having for the regulated activity a significant implication for public health and safety or common defense and security. Notification shall be provided within two working days of identifying the information.

Contrary to the above, the licensee did not notify the Commission within two working days of information regarding their ability to make the required payments to the NRC Trust Account as required by Licensee Condition 16. Specifically, on November 21, 2003, the licensee make the notification of its failure to meet the required Condition, however, the licensee had not met the Condition for a period of approximately eight months. This information was significant for public health and safety because the required payments were the basis for the licensee's exemption from 10 CFR 30.32(h) and 30.35 (a) thru 30.35(f) (i.e. decommissioning financial assurance). In addition, these funds were to be used for disposal of radioactive waste that is currently being stored at the facility.

Further, the licensee had knowledge of the required Licensee Condition and had several opportunities to inform NRC. Therefore, the failure to make the required notification appears to be a deliberate violation by the licensee's plant manager, licensee vice-president, and the licensee's legal counsel.

Distribution: Panel Attendees, Regional Counsel, OI, Responsible Individuals (original to SAC)

**ARB MINUTES ARE REVIEWED AND APPROVED AT THE ARB**

# **EXHIBIT 3**

CORRECTED COPY

Duplicate

MATERIALS LICENSE

Duplicate

Pursuant to the Atomic Energy Act of 1954, as amended, the Energy Reorganization Act of 1974 (Public Law 93-438), and Title 10, Code of Federal Regulations, Chapter I, Parts 30, 31, 32, 33, 34, 35, 36, 39, 40, and 70, and in reliance on statements and representations heretofore made by the licensee, a license is hereby issued authorizing the licensee to receive, acquire, possess, and transfer byproduct, source, and special nuclear material designated below; to use such material for the purpose(s) and at the place(s) designated below; to deliver or transfer such material to persons authorized to receive it in accordance with the regulations of the applicable Part(s). This license shall be deemed to contain the conditions specified in Section 183 of the Atomic Energy Act of 1954, as amended, and is subject to all applicable rules, regulations, and orders of the Nuclear Regulatory Commission now or hereafter in effect and to any conditions specified below.

<p>Licensee</p> <p>1. Safety Light Corporation</p> <p>2. 4150-A Old Berwick Road Bloomsburg, Pennsylvania 17815</p>	<p>In accordance with the letter dated February 6, 2002</p> <p>3. License number 37-00030-02 is amended in its entirety to read as follows:</p> <p>4. Expiration date, December 31, 2004</p> <p>5. Docket No. 030-05980 Reference No. 2</p>	
<p>6. Byproduct, source, and/or special nuclear material</p> <p>A. Any byproduct material</p> <p>B. Any byproduct material</p>	<p>7. Chemical and/or physical form</p> <p>A. Any</p> <p>B. Any</p>	<p>8. Maximum amount that licensee may possess at any one time under this license</p> <p>A. See Condition 12</p> <p>B. 1 millicurie</p>
<p>9. Authorized use:</p> <p>A. Characterization and decommissioning of contaminated facilities, equipment and land.</p> <p>B. Instrument calibration.</p>		

CONDITIONS

- 10. Licensed material may be used only at the licensee's facilities located at 4150-A Old Berwick Road, Bloomsburg, Pennsylvania.
- 11. A. Licensed material shall be used by, or under the supervision of, Charles Berlin, Norman G. Fritz, or Larry Harmon.
- B. The Radiation Safety Officer for this license is Norman G. Fritz.
- 12. The amount of material is limited to that amount existing in contaminated facilities, land, and equipment, as of January 3, 1995.

13. Deleted by Amendment 53, August 14, 2002. Duplicate Duplicate Duplicate

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License Number

37-00030-02

Docket or Reference Number

030-05980

Amendment No. 53

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14. Sorting, characterizing, and repackaging of the waste that was removed as part of the site remediation of the radiological contamination from the underground silos at the Safety Light Corporation facility shall be performed in accordance with the statements, representations and procedures described in the Work Plan for radioactive waste repackaging that was submitted by letter dated February 6, 2002, and Health and Safety Plan and Quality Assurance Plan that were submitted by letter dated April 25, 2002, and supplemental information regarding the Work Plan provided by e-mail dated May 28, 2002. The licensee is not authorized to begin other activities described in the licensee's Decommissioning Plan until a Work Plan and a Health and Safety Plan for other activities have been submitted to the U.S. Nuclear Regulatory Commission and the Plans are approved in writing by the Region I Office.
15. A. Sealed sources and detector cells containing licensed material shall be tested for leakage and/or contamination at intervals not to exceed six months or at such other intervals as are specified by the certificate of registration referred to in 10 CFR 32.210, not to exceed three years.
- B. Notwithstanding Paragraph A of this Condition, sealed sources designed to emit alpha particles shall be tested for leakage and/or contamination at intervals not to exceed three months.
- C. In the absence of a certificate from a transferor indicating that a leak test has been made within six months prior to the transfer, a sealed source or detector cell received from another person shall not be put into use until tested.
- D. Each sealed source fabricated by the licensee shall be inspected and tested for construction defects, leakage, and contamination prior to any use or transfer as a sealed source.
- E. Sealed sources and detector cells need not be leak tested if:
- (i) they contain only hydrogen-3; or
  - (ii) they contain only a radioactive gas; or
  - (iii) the half-life of the isotope is 30 days or less; or
  - (iv) they contain not more than 100 microcuries of beta and/or gamma emitting material or not more than 10 microcuries of alpha emitting material; or

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Docket or Reference Number 030-05980

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(v) they are not designed to emit alpha particles, are in storage, and are not being used. However, when they are removed from storage for use or transfer to another person, and have not been tested within the required leak test interval, they shall be tested before use or transfer. No sealed source or detector cell shall be stored for a period of more than 10 years without being tested for leakage and/or contamination.

F. The test shall be capable of detecting the presence of 0.005 microcurie of radioactive material on the test sample. If the test reveals the presence of 0.005 microcurie or more of removable contamination, a report shall be filed with the U.S. Nuclear Regulatory Commission and the source or detector cell shall be removed immediately from service and decontaminated, repaired, or disposed of in accordance with Commission regulations. The report shall be filed within five days of the date the leak test result is known with the appropriate U.S. Nuclear Regulatory Commission, Regional Office referenced in Appendix D of 10 CFR Part 20. The report shall specify the source or detector cell involved, the test results, and corrective action taken.

G. The licensee is authorized to collect leak test samples for analysis by the licensee. Alternatively, tests for leakage and/or contamination may be performed by persons specifically licensed by the Commission or an Agreement State to perform such services.

16. Pursuant to 10 CFR 30.41, the licensee is exempted from the provisions of 10 CFR 30.32(h) and 30.35(a) through 30.35(f), provided that the licensee sets aside from operating funds or any other funds, except insurance litigation funds, the following amounts as described in the licensee's letter dated August 3, 1999:

January 1, 2000 and each month thereafter for 12 months: \$7,000.00;

January 1, 2001 and each month thereafter for 24 months: \$8,000.00;

January 1, 2003 and each month thereafter for 24 months: \$9,000.00

for a total of \$492,000.00. These funds shall be deposited into Trust Account Number C32520 with the Chase Manhattan Bank (presently assumed by JP Morgan). The use of these funds, including disbursement of assets, shall be governed by the Trust Agreement which established the trust account. This exemption is valid until the date shown in Item 4 or the date of any failure to comply with this license condition.

17. The licensee is authorized to transport licensed material in accordance with the provisions of 10 CFR Part 71, "Packaging and Transportation of Radioactive Material."

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Duplicate License Number 97-00030-02 Duplicate

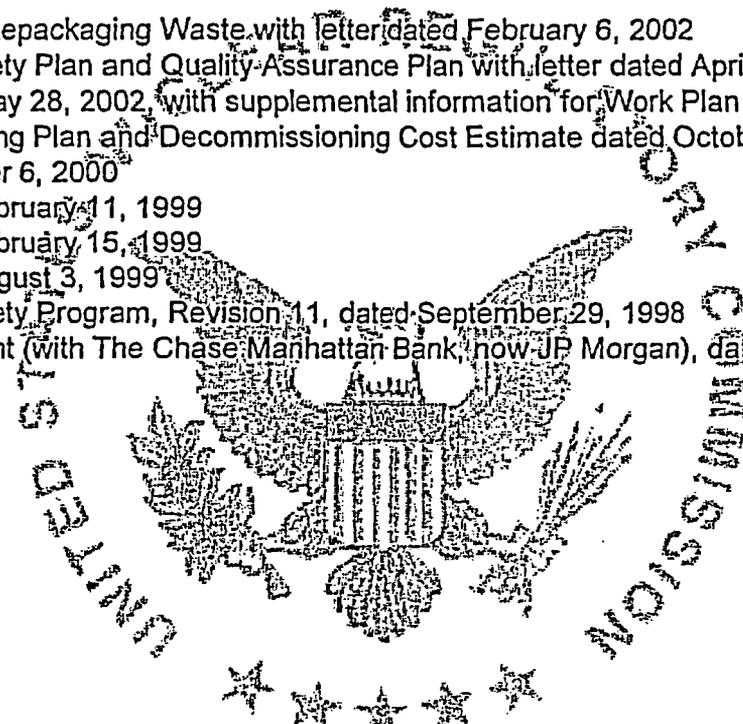
Docket or Reference Number 030-05980

Amendment No. 53

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18. Except as specifically provided otherwise in this license, the licensee shall conduct its program in accordance with the statements, representations, and procedures contained in the documents, including any enclosures, listed below. The U.S. Nuclear Regulatory Commission's regulations shall govern unless the statements, representations, and procedures in the licensee's application and correspondence are more restrictive than the regulations.

- A. Work Plan for Repackaging Waste with letter dated February 6, 2002
- B. Health and Safety Plan and Quality Assurance Plan with letter dated April 25, 2002
- C. E-mail dated May 28, 2002 with supplemental information for Work Plan for Repackaging Waste
- D. Decommissioning Plan and Decommissioning Cost Estimate dated October 26, 2000 with revisions dated December 6, 2000
- E. Letter dated February 11, 1999
- F. Letter dated February 15, 1999
- G. Letter dated August 3, 1999
- H. Health and Safety Program, Revision 11, dated September 29, 1998
- I. Trust Agreement (with The Chase Manhattan Bank, now JP Morgan), dated December 12, 1994



For the U.S. Nuclear Regulatory Commission

Original signed by Ronald R. Bellamy

Date September 16, 2002

Ronald R. Bellamy, Chief  
Decommissioning and Laboratory Branch  
Region I

King of Prussia, Pennsylvania 19406

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# **EXHIBIT 4**

# SAFETY LIGHT CORPORATION

4150-A OLD BERWICK ROAD, BLOOMSBURG, PA 17815  
717-784-4344 FAX 717-784-1402

030-05980

J7

August 3, 1999

Mr. George Pangburn  
Director, Division of Nuclear Material Safety  
United States Nuclear Regulatory Commission - Region 1  
475 Allendale Road  
King of Prussia, PA 19406-1415

Re: Our letter dated February 11, 1999 - Docket #030-05980 -Control #126551

Dear Mr. Pangburn,

We understand, from our telephone conversation of August 2, 1999, that you now believe our license renewal will be dependent upon our ability to reduce the remediation liability at the Bloomsburg site by approximately 25% at the end of five years. This is to be accomplished through a combination of dollars expended toward the clean-up and available funds remaining at the end of this five-year period. With an estimated clean-up cost of approximately \$13,745,000, our expenditures and available funds would therefore have to total approximately \$3,400,000 at the end of five years.

Our financial calculations are based on the following:

1. As of June 30, 1999, our total of available funds including both the escrow fund and the insurance fund was \$1,890,135.00.

2. Additionally, we now propose increasing our escrow contributions as follows:

January 1, 2000, and each month thereafter, for 12 months - \$7,000

January 1, 2002, and each month thereafter, for 24 months - \$8,000

January 1, 2004, and each month thereafter, for 24 months - \$9,000

These contributions total \$492,000, representing an increase of more than 40% or \$144,000 over our earlier proposal.

3. These funds are to be held in an interest-bearing fund with a projected annual rate of return of 8%.

4. The clean-up of the silos will proceed as soon as possible with total payments of \$738,000 to be made to IT Corporation and the waste burial sites in February 2000.

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EXHIBIT 4

PAGE 1 OF 3 PAGE(S)

126551

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Based on the assumptions outlined above and with no other expenditures made during this five-year period, the remaining funds would total \$2,502,924.68 on January 1, 2005. See Attachment #1.

If we then calculate the total of the funds spent and the remaining balance, we will have committed \$3,240,924.68 toward the site remediation. This represents approximately 24% of the estimated liability.

Also, please note that the above calculations do not take into account the possibility of additional funds coming from Allendale Insurance nor the possible expenditure of funds for the Maxey Flats settlement or legal fees. This calculation is meant solely to demonstrate what our funding commitment could accomplish. Nevertheless, it remains our goal to use available funds to do as much clean-up as possible within the existing financial constraints. As discussed, as soon as the silo remediation is complete, we would then submit a request to you to begin another clean-up project. The next area to be addressed would be determined by a mutually agreed prioritization of existing potential threats. Obviously, any monies spent over and above the \$738,000 for the silos will negatively impact the remaining cash balance on January 1, 2005.

We have carefully evaluated our ability to contribute to the escrow fund and believe that the above contributions represent a significant increase from our earlier proposal. However, it is with some trepidation that we make this proposal, as we will be dependent on a stable growing economy in which we can continue to grow our business to fund this aggressive escrow increase.

We look forward to discussing this with you at your earliest convenience.

Regards,

  
William E. Lynch Jr.  
Vice President

**SAFETY LIGHT CORPORATION**

4150-A OLD BERWICK ROAD, BLOOMSBURG, PA 17815  
717-784-4344 FAX 717-784-1402

37-00030-02

September 1, 1999

Mr. George Pangburn  
Director, Division of Nuclear Material Safety  
United States Nuclear Regulatory Commission - Region 1  
475 Allendale Road  
King of Prussia, PA 19406-1415

Re: Docket #030-05980 -Control #126551

Dear Mr. Pangburn,

As requested, we have re-evaluated the escrow funding proposal outlined in our letter of August 3, 1999.

Based on our analysis, we are unable to increase our contributions over and above those outlined in our letter. Due to the uncertainty of continued economic growth and the normal challenges faced by ours or any other business, the profits required to fund our escrow commitment are far from guaranteed. While we are confident in our business and our abilities, there is no doubt that we will have to work diligently in order to fulfill this already increased escrow commitment. The total contributions of \$492,000 are the most that we feel we can commit to with reasonable confidence of performance.

As discussed, the other possibility that we could envision would involve removing the fixed nature of our escrow contribution and instead linking it in some way to revenues. In this scenario, if we were successful in growing the business, we would be able to possibly increase our contributions. However, this would also have to apply in reverse, meaning if revenues decrease, our contributions would decrease. During our conversation, neither you nor Mr. Bellamy expressed any interest in pursuing this approach.

Therefore, based on the above, if we re-calculate our total contribution toward the site remediation, including our existing balance of \$1,890,135, our escrow contributions of \$492,000, a revised interest rate of 6%, and an expenditure of \$738,000 on the silo remediation, we will have committed a total of \$3,003,071 over the next five years. This represents 22% of the estimated liability and will allow us to make a significant positive impact on the site.

We sincerely appreciate the efforts of you and your staff in working with us on our license renewal application. Please contact me if you have any additional questions.

Regards,  
*Bill*  
William E. Lynch Jr.  
Vice-President

EXHIBIT 4  
PAGE 3 OF 3 PAGE(S)

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Interview Report  
Of  
Marie MILLER

On December 11, 2003, Reporting Agent (RA), interviewed Marie MILLER, Senior Health Physicist, Nuclear Regulatory Commission (NRC), Region I, King of Prussia, PA 19406 (610) 337-5205. The interview was conducted within MILLER's office.

MILLER advised that she has been employed with the NRC for approximately 23 years and that all of the 23 years have been in the Health Physicist field. In November of 2000, MILLER received the Safety Light Corporation (SLC), 4150-A Old Berwick Road, Bloomsburg, PA, project. MILLER advised part of SLC's license dictated that payments be made to a trust fund which was initiated in an effort to fund a nuclear waste remediation project at the SLC plant in Bloomsburg, PA. MILLER reported that for 2001, SLC failed to make the required payments for May/2001, June/2001, July/2001, and August/2001. MILLER did state that SLC had made (1) double (October/2001) and (1) triple (September/2001) deposit during the course of 2001, however, SLC was short approximately 1-2 deposits for the year. MILLER stated on December 12, 2001, she had a conversation with William LYNCH, Vice President, SLC, regarding the amount of money that was in the NRC Trust Account. MILLER related that LYNCH advised her that at the end of December of 2001, the balance would be \$631,427.00. MILLER related that the purpose of the conversation with LYNCH was to determine the balance because SLC wanted to pursue legal action against "IT Inc.," (an environmental remediation company) because IT Inc., failed to meet the contract specifications, and SLC wanted to develop a work plan for subsequent clean up work. MILLER reported during 2001, she was never contacted by any SLC representative to inform her that the required payments would not be made. MILLER advised in November of 2001, Lawrence HARMON, Plant Manager, SLC, Bloomsburg, PA, notified her that business was slow and there may be layoffs in the near future. MILLER noted in January of 2002, HARMON contacted her and advised SLC had to lay off some of the employees. MILLER noted that during 2000/2001, she was primarily in contact with HARMON, via telephone, but did conduct annual inspections at the site. MILLER also noted that during this time frame (2000/2001) she had minimal contact with LYNCH.

MILLER also related that SLC did not make the required NRC deposits for February/2002, and May/2002. MILLER related SLC made (2) double deposits (April/2002 and Oct/2002) and for the year, SLC deposited the required amount of money. MILLER stated that during 2002, she was never advised by anyone who represented SLC, that the payments for April/2002 and October/2002 would be missed.

MILLER stated SLC made an \$8000.00 payment each month for January and February of 2003, when the required payment should have been \$9000.00 per month. MILLER advised SLC made the required \$9000.00 payment for March of 2003. MILLER noted SLC failed to make the required payments for April/2003, May/2003, June/2003, July/2003, and August/2003. MILLER reported SLC made a payment of \$9000.00 for September of 2003, and failed to make the required payments in October/2003 and November/2003. MILLER advised SLC apparently is in the process of making a deposit for December/2003.

EXHIBIT 5  
PAGE 1 OF 2 PAGE(S)

MILLER related during the course of 2003, she talked to LYNCH on approximately 10 occasions, and personally met with LYNCH on approximately 3 instances. In addition, MILLER noted that during 2003 she spoke with Kevin BRUNO, Esq, an attorney who represents SLC on business matters, on approximately 6 occasions, and met with BRUNO on July 29, 2003, at a meeting hosted by the Environmental Protection Agency (EPA). MILLER also reported that during 2003 she spoke with HARMON on approximately 20 occasions, and met with HARMON on approximately 8 instances. MILLER related that one meeting with HARMON was of particular interest. MILLER stated on November 20, 2003, a meeting was held at SLC, Bloomsburg, PA in which EPA, NRC, Pennsylvania Department of Environmental Protection (DEP), and HARMON were present, to determine how much money was available for waste disposal. MILLER stated it was determined the trust account's balance was approximately \$566,000 and there was a projected short fall of approximately \$180,000. MILLER related at no time did HARMON take the opportunity to advise that the required payments were not being made.

MILLER stated on November 21, 2003, she was informed by HARMON that he had been "cleared" to notify her that the required payments to the trust fund have not been made. MILLER advised that HARMON told her that he (HARMON) didn't want to say anything during the November 20, 2003 meeting because he (HARMON) didn't want to "embarrass" the NRC. MILLER asked HARMON what he meant by "embarrass" the NRC, and HARMON mentioned the fact that the NRC was not checking the account - to determine if the required payments were being made. MILLER stated she instructed HARMON to have LYNCH contact Dr. Ronald R. BELLAMY, Branch Head, NRC, Division of Nuclear Materials Safety, Region I, King of Prussia, PA, to discuss the matter further. MILLER was unable to provide anything further.

  
Position: Senior Health Physicist, NRC, Region I, King of Prussia, PA  
Tele: (610) 337-5205

Reporting By: Jeffrey Ferich  
Office of Investigations, Region I  
Case No. 1-2003-056

# EXHIBIT 6

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UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

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OFFICE OF INVESTIGATIONS

INTERVIEW

-----x

IN THE MATTER OF: :

INTERVIEW OF: : Case No. 1-2003-056

WILLIAM LYNCH :

(CLOSED) :

-----x

Monday, December 15, 2003

Safety Light Corporation (SLC)

4150-A Old Berwick Road

Bloomsburg, PA 17815

The above-entitled interview was conducted  
at 10:00 a.m.

BEFORE:

Special Agent JEFF FERICH

EXHIBIT 6  
PAGE 1 OF 12 PAGE(S)

1 P-R-O-C-E-E-D-I-N-G-S

2 10:00 a.m.

3 SPECIAL AGENT FERICH: Okay, today is  
4 December 15th and it's approximately 10 o'clock,  
5 December 15, 2003. My name is Jeff Ferich and I'm a  
6 Special Agent with the NRC Office of Investigations,  
7 Region 1, King of Prussia, Pennsylvania.

8 The interview is being conducted with Mr.  
9 William Lynch. The interview is being conducted  
10 regarding an allegation that Safety Light Corporation  
11 failed to make the numerous deposits into the NRC  
12 trust fund, as required by the condition of the NRC  
13 license.

14 In addition to failing to make the  
15 required payments, Safety Light Corporation also  
16 failed to notify the NRC that the payments were not  
17 being made.

18 This investigation is being conducted  
19 under potential violations of 10 CFR 30.9,  
20 completeness and accuracy of information, and 10 CFR  
21 50.10, deliberate misconduct.

22 Mr. Lynch, as explained prior to going on  
23 the record, the interview will be conducted under  
24 oath. Do you have any objection to providing the  
25 information under oath?

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1 MR. LYNCH: I do not.

2 SPECIAL AGENT FERICH: Okay. In addition  
3 to that, prior to going on the record, I showed you my  
4 NRC credentials. Did you have an opportunity to  
5 review them?

6 MR. LYNCH: I did.

7 SPECIAL AGENT FERICH: Okay. Can you  
8 raise your right hand and repeat after me. Do you  
9 swear that the statement you give to me is the truth,  
10 so help you God?

11 MR. LYNCH: I do.

12 SPECIAL AGENT FERICH: Okay. And Mr.  
13 Lynch, I'd like to ask you some questions for  
14 identifying purposes. What is your full name and  
15 please spell your last name?

16 MR. LYNCH: My full name is William Earl  
17 Lynch, Jr., L-Y-N-C-H.

18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]  
21 [REDACTED]  
22 [REDACTED]  
23 [REDACTED]  
24 [REDACTED]  
25 [REDACTED]

1

2

3

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[REDACTED]

SPECIAL AGENT FERICH: And your current position at Safety Light?

5

6

MR. LYNCH: Vice President of Safety Light Corporation.

7

8

SPECIAL AGENT FERICH: And how long have you held that position?

9

10

MR. LYNCH: Approximately seven years.

11

SPECIAL AGENT FERICH: Okay. And how long have you worked for Safety Light Corporation?

12

13

MR. LYNCH: Approximately seven years.

14

SPECIAL AGENT FERICH: Okay. And prior to that position, what did you do, who did you work for?

15

16

17

18

[REDACTED]

SPECIAL AGENT FERICH: Okay. Regarding education background, can you just go into a little bit of detail on your education?

19

20

21

22

23

[REDACTED]

SPECIAL AGENT FERICH: Okay. Any military background?

24

25

MR. LYNCH: No.

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WASHINGTON, D.C. 20005-3701

1                   SPECIAL AGENT FERICH: Okay. With that,  
2 we're going to go into some of the questions. Are you  
3 familiar with the conditions of the Safety Light  
4 Corporation license and the license is 37-00030-02 and  
5 I believe it's dated February 6 of 2002?

6                   MR. LYNCH: We have a number of licenses  
7 there and I'm not sure exactly which one that is but  
8 in general, yes, I am.

9                   SPECIAL AGENT FERICH: Okay. And that  
10 license was granted by the NRC?

11                  MR. LYNCH: Correct.

12                  SPECIAL AGENT FERICH: Okay. And in that  
13 license, the license specifies that Safety Light  
14 Corporation make deposits on a monthly basis to a  
15 trust fund. Were you aware of that?

16                  MR. LYNCH: Yes, I am.

17                  SPECIAL AGENT FERICH: Okay. My question  
18 is why weren't the deposits made after Safety Light  
19 Corporation agreed to the terms of the license?

20                  MR. LYNCH: Well the deposits have been  
21 made for the past three and a half plus years, so it  
22 wasn't as though we've been trying to avoid this from  
23 the beginning. Business conditions have had a great  
24 impact on cash flow, and made it impossible for us to  
25 keep current.

1                   SPECIAL AGENT FERICH: Okay. Were you  
2 aware that some of the required monthly payments were  
3 not being made?

4                   MR. LYNCH: I was aware.

5                   SPECIAL AGENT FERICH: Okay. Who makes  
6 the decision whether or not to make the monthly  
7 payments?

8                   SPECIAL AGENT FERICH: That decision is  
9 largely mine in conjunction with conversations with  
10 Larry Harmon, who is responsible for the operation of  
11 the plant.

12                   SPECIAL AGENT FERICH: Okay. Now who's  
13 Larry Harmon?

14                   MR. LYNCH: Larry Harmon's the general  
15 manager of Safety Light Corporation.

16                   SPECIAL AGENT FERICH: In Bloomsburg?

17                   MR. LYNCH: Correct.

18                   SPECIAL AGENT FERICH: Okay. So how is it  
19 determined whether a payment is made or a payment is  
20 not made?

21                   MR. LYNCH: We look at our payables and  
22 determine what we're going to have to pay in order to  
23 keep the doors open, and keep the product going out to  
24 our customers so that cash can continue to come in.  
25 And those are the determining factors really. If we

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1 were to have paid the NRC payments ahead of those  
2 vendors, we could have possibly had problems in  
3 staying in business.

4 SPECIAL AGENT FERICH: Okay. So in the  
5 months where the payments to the trust fund were not  
6 made, did Safety Light Corporation make any payments  
7 to any other creditors?

8 MR. LYNCH: Certainly we made payments to  
9 our trade vendors, yes.

10 SPECIAL AGENT FERICH: Okay. And you said  
11 trade vendors, what do you mean by trade vendors? The  
12 folks that you get the materials from?

13 MR. LYNCH: Sure. The suppliers of raw  
14 material from whom we buy the product to make the  
15 product that we sell.

16 SPECIAL AGENT FERICH: Okay. Was there  
17 any discussions within Safety Light, I guess between  
18 yourself and other folks, regarding what would happen  
19 if the payments were not made? Was that ever  
20 considered?

21 MR. LYNCH: Yes, it was considered.

22 SPECIAL AGENT FERICH: And what was the --

23 MR. LYNCH: It has always been our  
24 intention to get caught up as quickly as we could, and  
25 didn't think it was going to be a big issue. We'd

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1 hoped it would not come to where it is today.

2 SPECIAL AGENT FERICH: Okay. So in  
3 summary, see if I understand this, in summary the  
4 reason why the payments weren't made was because of  
5 the business environment?

6 MR. LYNCH: That's correct.

7 SPECIAL AGENT FERICH: There just wasn't  
8 enough business?

9 MR. LYNCH: Cash flow did not permit us to  
10 make those extra payments.

11 SPECIAL AGENT FERICH: Okay. Just a  
12 couple of other questions. Why didn't Safety Light  
13 Corporation notify the NRC that the payments, on a  
14 certain month that they didn't make the payments,  
15 would not be made?

16 MR. LYNCH: Well we did notify the NRC.  
17 We didn't notify it the first month because we always  
18 thought we were going to catch up, and we really got  
19 ahead of ourselves in our expectation that we'd be  
20 able to catch up, and the business just didn't allow  
21 it. And, unfortunately, it took us longer than it  
22 should have to notify the NRC, but we were the ones  
23 who came forward. They didn't tell us that we were  
24 behind, we told them.

25 SPECIAL AGENT FERICH: Okay. Do you

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1 remember when you told them that you were behind?

2 MR. LYNCH: The conversation was between  
3 Larry Harmon and Marie Miller. I think it took place  
4 roughly a month ago.

5 SPECIAL AGENT FERICH: All right. We'll  
6 get into that a little bit more. Okay. During 2003,  
7 you met with Marie Miller, I believe it was  
8 approximately on three occasions and you spoke with  
9 her on approximately ten occasions. At any time why  
10 didn't you notify her that the payments weren't being  
11 made, if you were meeting with her and if you were  
12 speaking with her?

13 MR. LYNCH: No particular reason other  
14 than we thought we'd be able to catch up.

15 SPECIAL AGENT FERICH: Okay. Just to get  
16 back that you had notified the NRC, and you said it  
17 was approximately one month ago, ballpark round one  
18 month ago.

19 MR. LYNCH: Right.

20 SPECIAL AGENT FERICH: Are you familiar  
21 with your payment schedule? Are you familiar with  
22 the payments that you missed and the ones that you  
23 didn't miss?

24 MR. LYNCH: No, not the specifics of them.

25 SPECIAL AGENT FERICH: Okay. Let's see

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1 here.

2 MR. LYNCH: I certainly have access to  
3 those records, but as we sit here I don't have them in  
4 front of me.

5 SPECIAL AGENT FERICH: Right. I believe  
6 that SLC missed the required payments for April 2003,  
7 May 2003, June 2003, July 2003 and August 2003. Then  
8 a payment was made September of 2003, and in October  
9 of 2003 and November of 2003 they were missed again.  
10 And then the NRC was notified in November of 2003, or  
11 I believe it was maybe November/December of 2003. My  
12 question is, once again, why wasn't the NRC notified?  
13 You know, here's a stretch of five months, why weren't  
14 they notified back then that the payments would not be  
15 made?

16 MR. LYNCH: No good excuse, other than we  
17 had hoped to catch up and not bring it to anybody's  
18 attention.

19 SPECIAL AGENT FERICH: Okay.

20 MR. LYNCH: We assumed they were also  
21 getting notified from the bank because they also have  
22 access to those bank informations. We assume that  
23 even though they didn't hear it from us, they would  
24 obviously have known it from their own sources.

25 SPECIAL AGENT FERICH: Okay. Right. So

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1 what's the outlook for SLC?

2 MR. LYNCH: Well, we made a payment last  
3 week of \$13,500 dollars, which is a payment and a  
4 half. SLC is having a difficult year, sales have been  
5 relatively good, an improvement over last year,  
6 although the margins have been difficult to maintain  
7 because of the competitive environment we're in.

8 We just recently signed a big contract for  
9 next year to do all the Wal-Mart stores, which we  
10 expect will be a very big bonus to us. So the short  
11 term prospect is still difficult with cash flow,  
12 although we expect next year to be a better year.

13 SPECIAL AGENT FERICH: Okay. That's all  
14 I have.

15 Just in summary here, have I threatened  
16 you in any manner during this interview?

17 MR. LYNCH: No.

18 SPECIAL AGENT FERICH: Okay. Have you  
19 been offered any reward in return for the information  
20 that you have provided during this interview?

21 MR. LYNCH: No.

22 SPECIAL AGENT FERICH: Have you offered  
23 the information freely and voluntarily?

24 MR. LYNCH: Certainly.

25 SPECIAL AGENT FERICH: Is there anything

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1 else that you would like to add at this time?

2 MR. LYNCH: I just want to make it  
3 perfectly clear that we were the ones who came forward  
4 to the NRC, and brought it to their attention that we  
5 were behind in our payments. Now we did not do it in  
6 as timely a fashion as maybe we should have, but this  
7 is not a function of the NRC finding out about it and  
8 then coming to us and asking us why it didn't happen.  
9 I mean we came forward.

10 SPECIAL AGENT FERICH: Okay.

11 MR. LYNCH: Later than we should have. In  
12 Larry Harmon's defense, he had said to me, you know,  
13 numerous times, maybe we should bring it to their  
14 attention, maybe we should bring it to their  
15 attention. And I said, well, we're hoping to get the  
16 cash in here to bring it current so let's not rock the  
17 boat.

18 SPECIAL AGENT FERICH: Okay. Anything  
19 else you'd like to add at this time?

20 MR. LYNCH: No.

21 SPECIAL AGENT FERICH: Okay. The  
22 interview is concluded. It's now 10:10 a.m. on  
23 December 15, 2003.

24 (Whereupon, the above-entitled matter went  
25 off the record at 10:10 a.m.)

CERTIFICATE

This is to certify that the attached proceedings  
before the United States Nuclear Regulatory Commission  
in the matter of:

Name of Proceeding: Interview of  
William Lynch  
Docket Number: 1-2003-056  
Location: Bloomsburg, PA

were held as herein appears, and that this is the  
original transcript thereof for the file of the United  
States Nuclear Regulatory Commission taken by me and,  
thereafter reduced to typewriting by me or under the  
direction of the court reporting company, and that the  
transcript is a true and accurate record of the  
foregoing proceedings as recorded on tape(s) provided  
by the NRC.

*Olwen Price*

---

Olwen Price  
Official Transcriber  
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# **EXHIBIT 7**



P-R-O-C-E-E-D-I-N-G-S

10:00 a.m.

1  
2  
3 SPECIAL AGENT FERICH: Okay. Today is  
4 December 16, and it's about 10 o'clock. My name is  
5 Jeff Ferich, I'm a Special Agent with the Nuclear  
6 Regulatory Commission, Office of Investigations,  
7 Region I, King of Prussia, Pennsylvania.

8 The interview is being conducted with  
9 Larry Harmon. Larry is the plant manager for Safety  
10 Light Corporation here in Bloomsburg, Pennsylvania.

11 The interview is being conducted regarding  
12 an allegation that Safety Light Corporation failed to  
13 make numerous deposits into the NRC trust fund, as  
14 required by the condition of the NRC license. In  
15 addition to failing make the required payments, Safety  
16 Light Corporation also failed to notify the NRC that  
17 the payments were not being made.

18 This investigation is being conducted  
19 under potential violations of 10 CFR 30.9, which is  
20 completeness and accuracy of information, and 10 CFR  
21 30.10, which is deliberate misconduct.

22 Mr. Harmon, as I explained prior to going  
23 on the record, the interview will be conducted under  
24 oath. Do you have any objection to providing  
25 information under oath?

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1 MR. HARMON: No, I do not.

2 SPECIAL AGENT FERICH: Okay. Please raise  
3 your right hand and repeat after me, I swear to tell  
4 the truth.

5 MR. HARMON: I swear to tell the truth.

6 SPECIAL AGENT FERICH: So help me God.

7 MR. HARMON: So help me God.

8 SPECIAL AGENT FERICH: Okay. Mr. Harmon  
9 has been sworn in. Also Mr. Harmon, have you had an  
10 opportunity to see my credentials?

11 MR. HARMON: Yes, I have.

12 SPECIAL AGENT FERICH: Okay. Mr. Harmon,  
13 I'd like to ask you some questions for identifying  
14 purposes. What is your full name and please spell  
15 your last name?

16 MR. HARMON: It's Larry Paul Harmon.

17 H-A-R-M-O-N.

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

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[REDACTED]

SPECIAL AGENT FERICH: And your current position?

MR. HARMON: Plant manager, Safety Light Corporation.

SPECIAL AGENT FERICH: And how long have you held that position?

MR. HARMON: Since probably about 1995 I believe.

SPECIAL AGENT FERICH: Okay. And prior to that position, what position did you hold?

MR. HARMON: Production manager.

SPECIAL AGENT FERICH: For Safety Light?

MR. HARMON: Yes.

SPECIAL AGENT FERICH: Okay.

MR. HARMON: I've been here since '79.

SPECIAL AGENT FERICH: . Since '79, okay. And your education background?

[REDACTED]

1 SPECIAL AGENT FERICH: Okay. Any military  
2 background?

3 MR. HARMON: No, I do not.

4 SPECIAL AGENT FERICH: Okay. We're going  
5 to get into more or less the meat of the interview  
6 here. Are you familiar with the conditions of your  
7 license, specifically license 37-00030-02? I believe  
8 it's the one that's dated February 6, 2002.

9 MR. HARMON: Yes.

10 SPECIAL AGENT FERICH: Okay. And  
11 obviously that was the license that was granted by the  
12 NRC?

13 MR. HARMON: We have two. We have the 02  
14 license and an 08 license; 02 is a clean up license.

15 SPECIAL AGENT FERICH: Right. And that  
16 license specifies that Safety Light make the deposits  
17 on a monthly basis to a trust fund?

18 MR. HARMON: The 02 and 08 both do.

19 SPECIAL AGENT FERICH: Okay. All right.  
20 You're aware of that then?

21 MR. HARMON: Yes.

22 SPECIAL AGENT FERICH: Okay. Is there a  
23 reason why Safety Light Corporation failed to make the  
24 deposits to the trust fund?

25 MR. HARMON: Didn't have any money to do

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1 so.

2 SPECIAL AGENT FERICH: Okay. Were you  
3 aware that the payments were not being made?

4 MR. HARMON: Yes.

5 SPECIAL AGENT FERICH: Okay. And when did  
6 you become aware that they were not being made?

7 MR. HARMON: I get an H trial balance once  
8 a week to write checks out of, so I know immediately  
9 when they're not being paid.

10 SPECIAL AGENT FERICH: Okay. So it's  
11 almost real time information?

12 MR. HARMON: Yes.

13 SPECIAL AGENT FERICH: You know all the  
14 timing?

15 MR. HARMON: Yes.

16 SPECIAL AGENT FERICH: Okay. And who  
17 makes the decision whether to pay the NRC or not to  
18 pay the NRC the monthly payments into the trust fund?

19 MR. HARMON: That's basically Bill Lynch.  
20 It's a complicated situation. Basically, I go down  
21 through and do what we have to do as far as payables  
22 to keep this place going. That's lights, shipping and  
23 that type of thing. I look at vendor accounts and  
24 then I look at, you know, and obviously the NRC is on  
25 there as a vendor, more so than just a special entity.

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1 So they're just another vendor on the payables.

2 And what we do is I go down circle down  
3 and see how much money I need and tell Bill Lynch how  
4 much money I need up here, and that's what gets  
5 basically deposited in the account for me to use.

6 SPECIAL AGENT FERICH: Okay.

7 MR. HARMON: If there's not enough money  
8 available, it's a question of you know then I have to  
9 juggle to find out who I should pay and who I  
10 shouldn't pay.

11 SPECIAL AGENT FERICH: Okay.

12 MR. HARMON: And basically, if we don't  
13 pay vendors that's keeping us alive here then,  
14 obviously, we're not in business. So if we can't buy  
15 aluminum, I can't sell signs, I can't sell signs, I  
16 can't pay the NRC or even stay in business. So I knew  
17 that there wasn't enough monies available to pay the  
18 NRC; it's barely enough money to pay our payables for  
19 our vendors and keep alive, so our vendors are out.

20 And this started about two years ago after  
21 September 11. Our business went down and we've had  
22 vendors out over 120 days.

23 SPECIAL AGENT FERICH: And just curious,  
24 what's the total amount of money that you owe vendors?  
25 Just ballpark right now?

1 MR. HARMON: Right now, what over \$30,  
2 over \$90?

3 SPECIAL AGENT FERICH: Just like total.  
4 Just give me a ballpark figure.

5 MR. HARMON: I can't give you that off  
6 hand, I'd have to look at my H trial balance.

7 SPECIAL AGENT FERICH: Okay. Can you give  
8 me an approximate amount?

9 MR. HARMON: Hang on for a second.

10 SPECIAL AGENT FERICH: Okay. Just for the  
11 record, Mr. Harmon's going to his office to retrieve  
12 some financial records. And like I said, this is  
13 just approximately. I mean are we talking \$50,000?  
14 Are we talking \$100,000? Are we talking \$10,000? If  
15 someone came to you right now and said, here's a check  
16 to clear everything up regarding vendors, how much --  
17 what would you need? Let me say, this is just  
18 approximate, I mean it doesn't have to be down to the  
19 --

20 MR. HARMON: I'd probably need roughly  
21 quarter of a million dollars.

22 SPECIAL AGENT FERICH: Okay.

23 MR. HARMON: A quarter of a million to  
24 \$300,000 I would think to bring it up to date.

25 SPECIAL AGENT FERICH: Okay. So on the

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1 months, just so I understand this, on the months where  
2 the payments were not made to the NRC trust fund,  
3 Safety Light Corporation did make other payments to  
4 vendors then?

5 MR. HARMON: Yes.

6 SPECIAL AGENT FERICH: To keep it up and  
7 running?

8 MR. HARMON: Yes.

9 SPECIAL AGENT FERICH: Okay. Let's see  
10 here. So the bottom line is the reason why you didn't  
11 make payments is you didn't have the money. So that's  
12 the bottom line.

13 MR. HARMON: Yes, that's the bottom line.

14 SPECIAL AGENT FERICH: Okay. On November  
15 20 of 2003, I think you attended a meeting, I believe  
16 it was held here, and this is the one where EPA, NRC  
17 and Pennsylvania Department of Environmental  
18 Protection were present?

19 MR. HARMON: Yes.

20 SPECIAL AGENT FERICH: To talk about how  
21 much money was in the trust account for the waste  
22 removal?

23 MR. HARMON: Yes.

24 SPECIAL AGENT FERICH: Okay. And during  
25 the meeting it was determined that the account would

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1 be approximately \$180,000 short?

2 MR. HARMON: Yes.

3 SPECIAL AGENT FERICH: Ballpark. During  
4 the meeting, did you ever tell Marie Miller that you  
5 were missing -- you, Safety Light Corporation -- was  
6 missing the required deposits?

7 MR. HARMON: No, I did not.

8 SPECIAL AGENT FERICH: And why was that?

9 MR. HARMON: I didn't want to embarrass  
10 the NRC at that meeting.

11 SPECIAL AGENT FERICH: Okay. And then on  
12 November 21, I believe you spoke with Marie.

13 MR. HARMON: I called Marie up and --

14 SPECIAL AGENT FERICH: Right. And you  
15 said that you were cleared to tell her that the  
16 required payments were not being made. And what do  
17 you mean by cleared?

18 MR. HARMON: Before I give that  
19 information out, I always talk to Bill Lynch first.

20 SPECIAL AGENT FERICH: Okay. So in other  
21 words, you wanted to run it by your headquarters?

22 MR. HARMON: By my boss.

23 SPECIAL AGENT FERICH: Okay. Right. And  
24 he's the one that gave you, okayed it for the  
25 information to be released?

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1 MR. HARMON: Yes.

2 SPECIAL AGENT FERICH: Okay. Have there  
3 been any -- prior to that, were there any discussions  
4 between yourself and Bill regarding what would happen  
5 if the payments weren't made to the NRC trust fund?

6 MR. HARMON: Not really, no.

7 SPECIAL AGENT FERICH: There wasn't any  
8 dialogue back and forth on what would happen if the  
9 payments weren't made to the NRC trust fund?

10 MR. HARMON: No. I mean there's dialogue  
11 back and forth that we weren't making them. I don't  
12 really know what's going on. I sort of figured that,  
13 I looked at this as another payment or another vendor.  
14 That's how I looked at it. Even though it was a  
15 licensed condition, I don't think payment should be on  
16 a licensed condition. And basically what happens is  
17 when my vendors don't get paid, they're on the phone  
18 and talking to me. So I was sort of waiting for the  
19 NRC to either catch up with that before we got caught  
20 up with the payments, which we had all intention of  
21 doing, and that didn't happen.

22 So I looked at it like, well, okay, this  
23 is a vendor that's not really after me to pay the bill  
24 right now so since things are down, we can take care  
25 of keeping the place open and generating some cash

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1 here, and when we get excess cash we can catch back up  
2 on these payments.

3 And we did make a payment. I did get some  
4 excess cash, I forget if that was three months ago, I  
5 could go back and look. But three months ago or  
6 something like that, we did make a payment of \$9,000  
7 dollars.

8 SPECIAL AGENT FERICH: Yes, I believe that  
9 was September.

10 MR. HARMON: September.

11 SPECIAL AGENT FERICH: September. And I  
12 believe there was --

13 MR. HARMON: Okay. That was three months  
14 ago, yes, and that was for a February invoice at that  
15 point in time. We take our oldest invoice. I look at  
16 the payments as an invoice, so I look at it an invoice  
17 month so that was a February invoice is what I was  
18 looking at. Actually, it was a February payment that  
19 we were supposed to make.

20 So I figured somewhere along the line,  
21 when the NRC caught up, you know, we're going to have  
22 to, Bill Lynch and whoever the powers that be, Rick  
23 White or whatever, is going to have to determine, you  
24 know, what we're going to have to do. If we can't  
25 come up with the money then, of course, you know, if

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1 it's bankruptcy or that type of thing, that's  
2 basically out of my control, so that has to be handled  
3 upstairs somewhere.

4 SPECIAL AGENT FERICH: Okay.

5 MR. HARMON: So that's what I figured  
6 would happen. Either they come up with some money  
7 somehow or they'd have to shut the doors up, as simple  
8 as that.

9 SPECIAL AGENT FERICH: And the conditions  
10 of the payment into the trust fund, Safety Light  
11 agreed to the conditions, the schedule? In other  
12 words, there was a schedule set up for payments.

13 MR. HARMON: Well, yes. That was done on  
14 behalf, yes that was done by Bill Lynch. He's the  
15 Vice President of Safety Light.

16 SPECIAL AGENT FERICH: Right. But what  
17 I'm saying is that Safety Light Corporation through  
18 Bill Lynch agreed to the terms of the license?

19 MR. HARMON: Yes. There were some caveats  
20 put in there when it was agreed to, however.

21 SPECIAL AGENT FERICH: Okay. Like for  
22 example?

23 MR. HARMON: Well, Bill Lynch had put in  
24 a letter to the NRC that, you know, that the payments  
25 were conditional upon the business being able to

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1 support the payments. I can go get the license, my  
2 license, and show you that letter if you'd like.

3 SPECIAL AGENT FERICH: I think I have the  
4 letter here in front of me.

5 MR. HARMON: Okay.

6 SPECIAL AGENT FERICH: Okay. Well, let's  
7 see here. And I guess my question is you explained  
8 why you didn't make the payments but why did it take  
9 so long for you to notify the NRC that the payments  
10 weren't being made? And just to give you a little  
11 background. During 2003, your primary contact with  
12 the NRC is Marie Miller.

13 MR. HARMON: That's correct.

14 SPECIAL AGENT FERICH: And I believe you  
15 spoke with her approximately on 20 occasions. There's  
16 a continuing dialogue with her and I guess you met  
17 with her on approximately eight occasions. Why  
18 didn't you tell Marie Miller that the required  
19 payments were being missed prior to November 21st?

20 MR. HARMON: I didn't think it was  
21 necessary to do at that time because the monies were  
22 going into an account that just sat there and wasn't  
23 being used at that particular point in time. And so  
24 it was always my contention that at some point in time  
25 we're going to catch up on those payments and we'd put

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1 it back into the fund.

2 It wasn't until that meeting, and I didn't  
3 realize we were going to come up short in the NRC  
4 fund, I didn't know where we stood with the billings  
5 from Solution Technologies or where we stood with the  
6 NRC trust fund balance.

7 And so when we sat down here, and I always  
8 expected that the EPA was just going to move in and  
9 cover the shortfall, so when we sat down at that  
10 meeting --

11 SPECIAL AGENT FERICH: And the meeting,  
12 that's on the 20th?

13 MR. HARMON: On the 20th.

14 SPECIAL AGENT FERICH: Of November.

15 MR. HARMON: And found out what was in the  
16 trust fund and then I had, two days before that I had  
17 received all the payments that we owed to Solution and  
18 what it was going to cost to get rid of the waste, an  
19 estimated cost to get rid of the waste at that point  
20 in time. And that's when we discovered that we were  
21 going to come up \$180,000 dollars short.

22 SPECIAL AGENT FERICH: Who gave you the  
23 estimate? Was it a vendor?

24 MR. HARMON: It was Solution Technology.

25 SPECIAL AGENT FERICH: That's the name of

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1 the company?

2 MR. HARMON: Yes. Solution Technology was  
3 doing the work.

4 SPECIAL AGENT FERICH: Okay. Got it.

5 MR. HARMON: And so with the invoices that  
6 they had invoiced that wasn't turned into the NRC  
7 trust fund yet, and that wasn't being handled by  
8 Safety Light, that was being handled by -- originally  
9 that was being handled by John Frasier from Auxier  
10 Associates, which was working as a consultant to us  
11 here, through Kevin Bruno our lawyer. And that's how  
12 that was being handled.

13 So all the Solution invoices were going to  
14 John Frasier and I wasn't looking at those. So I  
15 didn't realize what we owed until after I tried to get  
16 all that stuff together for a meeting, to make sure we  
17 had enough money to cover all this stuff. And that's  
18 when we discovered that we were \$180,000 dollars  
19 short.

20 Obviously, at that point in time, then I  
21 realized that we were going to be needing some of that  
22 money that we didn't put in to cover some of this  
23 waste shipment. And that's when now that we needed  
24 the money it was a different issue than when the money  
25 was just laying there and we didn't need the money.

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1 SPECIAL AGENT FERICH: Okay.

2 MR. HARMON: If we would have been able to  
3 ship all this waste, I probably wouldn't have made the  
4 call to Marie and let her know that we were short on  
5 our funds going into there because, like I said, as  
6 business picked up, I felt we'd pay that off and get  
7 caught back up and be current.

8 SPECIAL AGENT FERICH: Okay. And the  
9 trust fund, the money that you're putting into the  
10 trust fund, just for the record, what's that trust  
11 fund used for?

12 MR. HARMON: It's used for clean up of the  
13 site.

14 SPECIAL AGENT FERICH: Okay. On the  
15 property here?

16 MR. HARMON: On the property here.

17 SPECIAL AGENT FERICH: Okay. Did you ever  
18 think that by not putting the money into the trust  
19 fund, it could be a public safety issue?

20 MR. HARMON: No.

21 SPECIAL AGENT FERICH: Now why do you feel  
22 that?

23 MR. HARMON: I don't think that the site  
24 is a public safety issue.

25 SPECIAL AGENT FERICH: Why? Because it

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1 has been designated as a -- if EPA's involved, I'm  
2 sure it's been designated as what a Superfund site?

3 MR. HARMON: Yes. Well, no it hasn't  
4 been.

5 SPECIAL AGENT FERICH: Oh hasn't been?  
6 Okay.

7 MR. HARMON: No, it's not a Superfund  
8 site. In fact, the EPA doesn't think that this site  
9 rates high enough. Everybody's been trying to get  
10 this on a Superfund site, everybody being the state,  
11 and I think the NRC would like to see that happen.  
12 And they don't think it warrants being on a Superfund  
13 list.

14 SPECIAL AGENT FERICH: Okay.

15 MR. HARMON: My personal feeling is that  
16 we haven't been working with any of the isotopes  
17 that's on the 02 license since I've been here in '79.  
18 They were stopped way before that. The stuff's been  
19 buried in the ground here since the '50s, and we do  
20 monitor the wells. We haven't seen any increase in  
21 activity off site; we do off site wells. So we  
22 haven't seen any migration off site that's over the  
23 EPA drinking water limits in the wells. And so I  
24 don't think that the site sitting here like it is  
25 poses a risk to the public.

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1                   SPECIAL AGENT FERICH:    Okay.    So you  
2 didn't consider the public safety issue then when you  
3 didn't make the payments?

4                   MR. HARMON:  No, I don't think this site's  
5 a public safety issue.

6                   SPECIAL AGENT FERICH:    Okay.    That  
7 concludes my questions.  And just in summary here,  
8 have I threatened you in any manner during this  
9 interview?

10                  MR. HARMON:  No, you have not.

11                  SPECIAL AGENT FERICH:    Okay.  Have you  
12 been offered any reward in return for the information  
13 that you have provided during this interview?

14                  MR. HARMON:  No.

15                  SPECIAL AGENT FERICH:    Have you offered  
16 the information freely and voluntarily?

17                  MR. HARMON:  Yes, I have.

18                  SPECIAL AGENT FERICH:    Okay.  Is there  
19 anything that you want to add on the record before we  
20 shut off the tape?

21                  MR. HARMON:  Not that I can think of.  The  
22 only thing is if we would have been paying the NRC,  
23 from my viewpoint here, if we would have been paying  
24 the NRC the monies that we owed them, we probably  
25 wouldn't be in business at this point in time because

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1 we wouldn't have been able to pay vendors, and  
2 therefore the NRC wouldn't have got the \$81,000 anyway  
3 because we'd have been out of business.

4 SPECIAL AGENT FERICH: Right.

5 MR. HARMON: So it's a simple issue here.

6 SPECIAL AGENT FERICH: Right. Just while  
7 we're on that topic, are you aware that Safety Light  
8 Corporation missed the payments for April 2003, May  
9 2003, June 2003, July 2003, August 2003 and then made  
10 that one payment in September of 2003, and then missed  
11 October and November of 2003? And I understand I  
12 guess Safety Light's in the process of making a  
13 payment in December.

14 MR. HARMON: Well we made one for \$13,500  
15 dollars. No, wait let me just look here in my H trial  
16 balance because that doesn't sound right to me because  
17 I think we're going to back to February or March. Let  
18 me see here.

19 SPECIAL AGENT FERICH: I believe you made  
20 the payments for January and February and March, and  
21 then I believe from April to August there weren't any  
22 payments made.

23 Just for the record, Mr. Harmon is  
24 reviewing some financial records.

25 MR. HARMON: Yes, what we have open, now

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1 this is after paying, we paid \$13,500.

2 SPECIAL AGENT FERICH: And that was in  
3 December?

4 MR. HARMON: That was in December. So  
5 that would have taken care of, I believe, March's  
6 invoice I think was the oldest one and it would have  
7 taken care of half of April's invoice. So we'd owe  
8 \$4,500 dollars from April and then we owe up until  
9 December here, so we owe May, June, July, August,  
10 September, October, November.

11 SPECIAL AGENT FERICH: And December.

12 MR. HARMON: And then December.

13 SPECIAL AGENT FERICH: Right. I guess my  
14 point is when the payments weren't being made in April  
15 and May, is there a reason why you didn't contact the  
16 NRC then?

17 MR. HARMON: Because I thought we were  
18 going to catch back up with them. We've done it  
19 before. This isn't the first time in 2003 that we've  
20 missed. I mean we've missed back in I believe 2002 I  
21 think we were behind like \$36,000 or \$45,000 bucks.  
22 Three or four payments I think.

23 SPECIAL AGENT FERICH: Right.

24 MR. HARMON: Of last year. So we were  
25 able to, as our business picked up, we were able to

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1 catch back up on those and that brought them back up  
2 into a --

3 I don't think we ever paid them in a  
4 timely fashion. I think we were always, I always  
5 looked at them as a 30 day payment, so if they're due  
6 December 1, I looked at them as not being due until  
7 December 31 or January 1. Again, I was looking at  
8 this as I would at any other invoice that we get from  
9 the vendor, and so I always have 30 days to pay the  
10 bill.

11 So they weren't really late. Like this  
12 December bill, it really isn't late here yet until  
13 January 1st -- in my estimation.

14 SPECIAL AGENT FERICH: Okay. Yes, but  
15 this is April to August. I mean that was the first  
16 time that you missed five in a row, correct?

17 MR. HARMON: I'd have to go back and look.  
18 It probably was, yes. It probably was.

19 SPECIAL AGENT FERICH: Okay.

20 MR. HARMON: But that's only, you know,  
21 what's the difference whether it's four or whether  
22 it's five or six or three? I mean --

23 SPECIAL AGENT FERICH: Well, I think the  
24 point is that --

25 MR. HARMON: I mean you're going to catch

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1 up. The point is you think you're going to catch up.

2 SPECIAL AGENT FERICH: No, I understand  
3 that, but I also think at some point, as per the  
4 license conditions, I think you need to at least  
5 notify the NRC that some of these payments aren't  
6 being made. And I think that's one of the reasons why  
7 I'm here,

8 MR. HARMON: Well I think the payments,  
9 again I don't know if the -- I didn't look at the  
10 payments as a license condition to tell the NRC.

11 SPECIAL AGENT FERICH: But that's what it  
12 is.

13 MR. HARMON: Even though it a license  
14 condition.

15 SPECIAL AGENT FERICH: Right.

16 MR. HARMON: I mean I look at anything  
17 else that ever happened and say we have a clean record  
18 here, and if it had to do with anything radiologically  
19 or the health of people or something, yes, that's  
20 something you have to notify the NRC on. The  
21 payments, I didn't look at the payments as being one  
22 of those issues that was a radiological health issue.  
23 And I looked at radiological health issues as  
24 something that has to be reported to the NRC  
25 immediately, not necessarily payments.

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1 SPECIAL AGENT FERICH: Okay.

2 MR. HARMON: I looked at them as -- I  
3 looked at those as invoices. Again, I don't think it  
4 should have been a licensed condition, I think it  
5 should have been handled some other way other than  
6 being in a license. If it was a license condition,  
7 you know, why wasn't the NRC, in my estimation,  
8 checking up on the payments and knowing that the  
9 payments were delinquent way back when, you know, one  
10 or two payments. Having delinquency of payments I  
11 don't think had anything to do with the health or well  
12 being of the people, either here on site or off site.

13 SPECIAL AGENT FERICH: Okay.

14 MR. HARMON: So it wasn't a radiological  
15 concern. Radiological concerns I can understand  
16 being in a license and I can understand that  
17 immediately when we know something about radiological  
18 conditions changing on the site, obviously those  
19 things have to be told immediately to the NRC.

20 SPECIAL AGENT FERICH: Okay. Anything  
21 else that you'd like to add regarding this matter?

22 MR. HARMON: No, that's it.

23 SPECIAL AGENT FERICH: Okay. The time is  
24 now 10:30 and it's December 16th. The interview is  
25 concluded.

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(Whereupon, the above-entitled matter went  
off the record at 10:30 a.m.)

CERTIFICATE

This is to certify that the attached proceedings before the United States Nuclear Regulatory Commission in the matter of:

Name of Proceeding: Interview of

Larry Harmon

Docket Number: 1-2003-056

Location: Bloomsburg, PA

were held as herein appears, and that this is the original transcript thereof for the file of the United States Nuclear Regulatory Commission taken by me and, thereafter reduced to typewriting by me or under the direction of the court reporting company, and that the transcript is a true and accurate record of the foregoing proceedings as recorded on tape(s) provided by the NRC.

*Olwen Price*

---

Olwen Price  
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# **EXHIBIT 8**



P-R-O-C-E-E-D-I-N-G-S

(9:15 a.m.)

SPECIAL AGENT FERICH: Today is February 13, 2004, and the time is 9:15 in the morning.

My name is Jeff Ferich, and I'm a Special Agent with the NRC, Office of Investigations, Region I, King of Prussia, Pennsylvania.

Also present is Marie Miller. She is a Senior Health Physicist with the NRC Region I here in King of Prussia.

The interview is being conducted regarding an allegation that Safety Light Corporation failed to make numerous deposits into an NRC trust fund as required by the condition of the NRC license. In addition to failing to make the required payments, Safety Light Corporation also failed to notify the NRC that the required payments were not being made.

This investigation is being conducted under potential violations of 10 CFR 30.9, which is completeness and accuracy of information; and 10 CFR 50.10, deliberate misconduct.

Mr. White, as we talked prior to going on the record, the interview will be conducted under oath. Any objection to providing information under

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1 oath?

2 MR. WHITE: No, sir.

3 SPECIAL AGENT FERICH: Okay. If you can,  
4 just raise your right hand. Do you swear the  
5 statement you give to me is the truth, so help you  
6 God?

7 MR. WHITE: I do.

8 SPECIAL AGENT FERICH: Okay. Mr. White,  
9 I'd like to ask you some questions for identifying  
10 purposes. What is your full name? And please spell  
11 your last name.

12 MR. WHITE: Charles R. White, W-H-I-T-E.

13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]  
21 [REDACTED]  
22 [REDACTED]  
23 [REDACTED]

24 SPECIAL AGENT FERICH: Okay. And what is  
25 your current occupation?

1 MR. WHITE: I'm employed by Isolight  
2 Corporation.

3 SPECIAL AGENT FERICH: Okay. In what  
4 position?

5 MR. WHITE: As Vice President.

6 SPECIAL AGENT FERICH: Okay. Education  
7 background?

8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]

11 SPECIAL AGENT FERICH: In -- I'm sorry --  
12 in what?

13 MR. WHITE: Bachelor of Science.

14 SPECIAL AGENT FERICH: Okay. [REDACTED]  
15 [REDACTED]

16 MR. WHITE: [REDACTED]  
17 [REDACTED]

18 SPECIAL AGENT FERICH: Okay.

19 MR. WHITE: [REDACTED]

20 SPECIAL AGENT FERICH: Okay. [REDACTED]  
21 [REDACTED]

22 MR. WHITE: [REDACTED]  
23 [REDACTED]

24 SPECIAL AGENT FERICH: Okay. All right.  
25 What we'll do is we'll get into the -- I guess the

1 meat of the questions. The first question is: what  
2 is your affiliation with Safety Light Corporation and  
3 Isolight Corporation? And earlier you said that you  
4 were Vice President of Safety Light Corporation?

5 MR. WHITE: Yes.

6 SPECIAL AGENT FERICH: Okay. What are  
7 your duties?

8 MR. WHITE: I'm an investor. I don't get  
9 involved in the day-to-day operations of the -- of the  
10 company. My duties are really -- I do not have any  
11 day-to-day duties.

12 SPECIAL AGENT FERICH: Okay. So you're an  
13 investor in that company.

14 MR. WHITE: That's correct.

15 SPECIAL AGENT FERICH: Okay. And how is  
16 Safety Light Corporation affiliated to Isolight  
17 Corporation?

18 MR. WHITE: There is no affiliation, other  
19 than one is a customer of another.

20 SPECIAL AGENT FERICH: Okay.

21 MR. WHITE: One buys product from another.

22 SPECIAL AGENT FERICH: Okay. So Safety  
23 Light Corporation -- I'm sorry, Isolight Corporation  
24 buys product from Safety Light Corporation?

25 MR. WHITE: Yes.

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1 SPECIAL AGENT FERICH: Okay. And you are  
2 an investor in Safety Light Corporation, or you're an  
3 investor in both?

4 MR. WHITE: In both.

5 SPECIAL AGENT FERICH: Okay. Are there  
6 any other partners or co-owners or --

7 MR. WHITE: Yes.

8 SPECIAL AGENT FERICH: Okay. And --

9 MR. WHITE: Jack Miller and myself are  
10 partners in Safety Light Corporation.

11 SPECIAL AGENT FERICH: Okay.

12 MR. WHITE: I own 51 percent, and he owns  
13 49 percent.

14 SPECIAL AGENT FERICH: Okay. And is he  
15 also in Florida?

16 MR. WHITE: No.

17 SPECIAL AGENT FERICH: Okay. Are there  
18 any other companies that you own or are associated  
19 with?

20 MR. WHITE: Yes.

21 SPECIAL AGENT FERICH: Okay. And what are  
22 they?

23 MR. WHITE: I own -- I am associated with  
24 a number of companies. There's -- there's -- I'm  
25 associated with a company called ESKO Marine, a

1 company called Universal Aerospace, a company called  
2 Frazier Volpe, and a number of other small companies.  
3 That's -- I invest in small companies.

4 SPECIAL AGENT FERICH: Okay. So, once  
5 again, it's in the investment side of the house.

6 MR. WHITE: Yes.

7 SPECIAL AGENT FERICH: Okay. What is Bill  
8 Lynch's position with Safety Light?

9 MR. WHITE: He is Vice President.

10 SPECIAL AGENT FERICH: Okay. And what is  
11 Larry Harmon's position with Safety Light?

12 MR. WHITE: He's General Manager.

13 SPECIAL AGENT FERICH: At the Bloomsburg  
14 facility?

15 MR. WHITE: Yes.

16 SPECIAL AGENT FERICH: Okay. And who  
17 handles the day-to-day financial matters for Safety  
18 Light?

19 MR. WHITE: Well, Larry Harmon and Jack --  
20 excuse me, Larry Harmon and Bill Lynch.

21 SPECIAL AGENT FERICH: Okay. Does Bill  
22 Lynch -- does he have carte blanche when it comes to  
23 making the financial decisions pertaining to Safety  
24 Light?

25 MR. WHITE: Pretty much, yes.

1                   SPECIAL AGENT FERICH: Okay. Apparently  
2 there was a recent conversation between Lynch and Dr.  
3 Bellamy.

4                   And, Marie, Dr. Bellamy, what's his  
5 position?

6                   MS. MILLER: He's the Branch Chief of the  
7 Decommissioning Branch in Region I.

8                   SPECIAL AGENT FERICH: Okay. Apparently  
9 they had a conversation where Lynch stated that  
10 further payments to the NRC are made at a higher  
11 level. Would that be further payments, monthly  
12 payments, or would that be further payments, missed  
13 payments, payments in arrears?

14                  MR. WHITE: I don't understand what  
15 "higher level" means.

16                  SPECIAL AGENT FERICH: Okay. So you're  
17 not -- you're not familiar with that?

18                  MR. WHITE: No.

19                  SPECIAL AGENT FERICH: Okay. Any idea how  
20 it's determined whether a payment is to be made to the  
21 trust fund?

22                  MR. WHITE: No.

23                  SPECIAL AGENT FERICH: Okay. Who makes  
24 the decision whether to make the deposits into the NRC  
25 trust fund?

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1 MR. WHITE: Bill Lynch would make that  
2 decision based on availability of cash.

3 SPECIAL AGENT FERICH: Okay.

4 MR. WHITE: And Larry Harmon. Both.

5 SPECIAL AGENT FERICH: I'm sorry?

6 MR. WHITE: And Larry Harmon. Both.

7 SPECIAL AGENT FERICH: Okay.

8 MR. WHITE: I think they would together.

9 SPECIAL AGENT FERICH: Okay. Did you know  
10 that the required payments were not being made?

11 MR. WHITE: No, I didn't until I had a  
12 phone call to discuss the late payment situation.

13 SPECIAL AGENT FERICH: And when was that?

14 MR. WHITE: I don't -- I really don't have  
15 the date. I didn't write it down. I don't have the  
16 -- I have no idea when the date was, but just to -- to  
17 -- just to continue on in that vein, it was discussed  
18 with me and Bill -- Bill had called me. And we  
19 decided at that time we should notify the NRC --

20 SPECIAL AGENT FERICH: Okay.

21 MR. WHITE: -- of the late payment. But  
22 at that time when I was notified that we were in  
23 arrears, that's the time that we decided we should  
24 certainly notify the NRC that we were late.

25 SPECIAL AGENT FERICH: Okay. I mean, was

1 that in 2003? I mean, can you --

2 MR. WHITE: I'm sure it was. I'm sure it  
3 wasn't 2004, so --

4 SPECIAL AGENT FERICH: Okay. I mean, can  
5 you narrow --

6 MR. WHITE: It was a few months back.

7 SPECIAL AGENT FERICH: Okay. So would you  
8 say in the fall of 2003?

9 MR. WHITE: Whenever -- it was whenever we  
10 notified the NRC. I think you have that probably in  
11 your records.

12 SPECIAL AGENT FERICH: Right. Okay. So  
13 it was in approximately that timeframe.

14 MR. WHITE: Yes.

15 SPECIAL AGENT FERICH: Okay. Was there a  
16 reason why the NRC wasn't notified that the payments  
17 weren't being made earlier?

18 MR. WHITE: I don't know, because I didn't  
19 know that payments were not being made.

20 SPECIAL AGENT FERICH: Okay. And you  
21 never told Lynch or Harmon not to make the required  
22 payments?

23 MR. WHITE: No.

24 SPECIAL AGENT FERICH: Okay. And did you  
25 ever tell them not to notify the NRC that the payments

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1 weren't being made?

2 MR. WHITE: No. I told them to notify the  
3 NRC.

4 SPECIAL AGENT FERICH: Okay.

5 MR. WHITE: When I found out.

6 SPECIAL AGENT FERICH: Once you found out,  
7 you told them that we had to be notified.

8 MR. WHITE: Yes.

9 SPECIAL AGENT FERICH: Okay.

10 MR. WHITE: We agreed -- Bill Lynch and I  
11 agreed that we -- we should certainly notify the NRC.

12 SPECIAL AGENT FERICH: Right. But what  
13 I'm saying is once --

14 MR. WHITE: Once I found out.

15 SPECIAL AGENT FERICH: Right. Once you  
16 found out is when you came to that conclusion.

17 MR. WHITE: Yes.

18 SPECIAL AGENT FERICH: That the NRC should  
19 be notified.

20 MR. WHITE: Absolutely.

21 SPECIAL AGENT FERICH: Okay. A question  
22 for you. Were the months where the payments weren't  
23 being made to the NRC trust fund, were payments being  
24 made to Safety Light's creditors?

25 MR. WHITE: I -- I can't answer that

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1 question.

2 SPECIAL AGENT FERICH: Okay. So, once  
3 again, who --

4 MR. WHITE: I'm sure that certain  
5 creditors were being paid.

6 SPECIAL AGENT FERICH: Okay.

7 MR. WHITE: We've had -- we've had a tough  
8 -- tough economy last two or three years, and that's  
9 certainly contributing to -- to the overall situation  
10 of cashflow.

11 SPECIAL AGENT FERICH: Okay. Yes, I think  
12 -- I think Mr. Lynch said that since 9/11 I guess  
13 business has been down.

14 MR. WHITE: For everyone, yes.

15 SPECIAL AGENT FERICH: Okay. Okay. Just  
16 -- actually, just a couple more questions here for  
17 you.

18 MR. WHITE: Sure.

19 SPECIAL AGENT FERICH: Are you familiar  
20 with the NRC license that Safety Light has?

21 MR. WHITE: Well, I'm -- to answer your  
22 question, I'm familiar. We do have licenses. We have  
23 more than one license, and I am not -- I am not a  
24 health physicist, nor -- I'm familiar that we do hold  
25 licenses with the NRC.

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1 SPECIAL AGENT FERICH: Okay.

2 MR. WHITE: But I couldn't tell you -- one  
3 is a possession license, I believe, and some sort of  
4 manufacturing license. But, yes, I'm generally  
5 aware --

6 SPECIAL AGENT FERICH: Okay.

7 MR. WHITE: -- of the licensing.

8 SPECIAL AGENT FERICH: Okay. And were you  
9 aware that part of the license condition was to make  
10 the prescribed payments to the NRC trust fund?

11 MR. WHITE: No.

12 SPECIAL AGENT FERICH: You weren't aware  
13 of that?

14 MR. WHITE: No.

15 SPECIAL AGENT FERICH: Okay.

16 MR. WHITE: Let me -- let me --

17 SPECIAL AGENT FERICH: Sure, go ahead.

18 MR. WHITE: -- add to that. I'm certainly  
19 aware that when we sign an agreement with the NRC we  
20 have to conduct ourselves in an appropriate fashion  
21 and do the things that we have agreed to do. So if  
22 we're -- if we're late, that's -- that's certainly not  
23 -- not the appropriate action on our part.

24 SPECIAL AGENT FERICH: Okay. But you  
25 didn't -- but you didn't know that the prescribed

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1 payments were part of that license condition?

2 MR. WHITE: No.

3 SPECIAL AGENT FERICH: Okay. Were you  
4 also aware that the license condition specified that  
5 the exemption from the financial assurance  
6 requirements would no longer be valid if any of the  
7 payments were missed?

8 MR. WHITE: No.

9 SPECIAL AGENT FERICH: Okay. And without  
10 this exemption, in your opinion, do you think Safety  
11 Light could provide the necessary financial assurance?

12 MR. WHITE: I don't understand the  
13 question.

14 SPECIAL AGENT FERICH: There is -- Marie,  
15 you help me out on this.

16 MS. MILLER: Yes. The requirement for the  
17 license -- licensees, any licensee, that it has  
18 certain quantities of material that would require  
19 funds to be set aside for decommissioning --

20 MR. WHITE: Yes.

21 MS. MILLER: -- that it was -- a condition  
22 of the license would be to have financial assurance.  
23 And so in the case of Safety Light, they were granted  
24 an exemption to the financial assurance requirements,  
25 provided that they made these specified payments.

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1 MR. WHITE: I understand.

2 MS. MILLER: Okay.

3 SPECIAL AGENT FERICH: Okay. And what was  
4 the requirement? If the -- if the exemption wasn't  
5 granted, what was the amount? Do you remember off the  
6 top of your head?

7 MS. MILLER: Well, cost estimates, you  
8 know, range from -- like Safety Light's cost estimate  
9 is about \$30 million. More conservative estimates can  
10 go to \$100 million.

11 SPECIAL AGENT FERICH: Okay. So without  
12 -- I guess the question is: without the exemption,  
13 could Safety Light come up with \$30 million to meet  
14 that financial assurance?

15 MR. WHITE: No.

16 SPECIAL AGENT FERICH: Okay. I mean, is  
17 there a reason -- and I think you maybe touched on  
18 this, but was there a reason the payments weren't  
19 made, especially after Safety Light agreed to the  
20 terms that were set forth in the license?

21 MR. WHITE: I believe Bill Lynch had --  
22 had told -- or had documented that -- that when we  
23 received our license, our five-year license, that we  
24 would make every effort to pay the funds, though we  
25 could not guarantee the payment. It's based on the

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1 economy.

2 We don't -- we don't have any -- any  
3 taxpayers paying us money. We have to make money on  
4 our own. And the economy has not been terrifically  
5 robust in the last three or four years.

6 SPECIAL AGENT FERICH: Okay.

7 MR. WHITE: Many companies in our business  
8 have been down over 30 percent. And I am absolutely  
9 sure that Mr. Lynch had -- that Bill Lynch had made  
10 every effort to pay these bills and did so for many  
11 years.

12 And the only reason I can -- I can think  
13 of that the payments weren't made was because our  
14 business had dropped precipitously and we now feel  
15 that it's coming back, along with the economy. And  
16 the reason they weren't paid is because, if we  
17 wouldn't have paid our vendors, we wouldn't have been  
18 in business today --

19 SPECIAL AGENT FERICH: Right.

20 MR. WHITE: -- to talk about this.

21 SPECIAL AGENT FERICH: Okay. I mean, did  
22 you think it was important to make the payments?

23 MR. WHITE: Absolutely. Very important.

24 SPECIAL AGENT FERICH: Okay. And did you  
25 know -- were you familiar with the possible

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1 consequences of not making the required payments?

2 MR. WHITE: Oh, I still don't -- I don't  
3 know what the consequences are.

4 SPECIAL AGENT FERICH: Okay.

5 MR. WHITE: I mean, we're trying in every  
6 fashion to get back, and it's -- it's Bill Lynch's  
7 mission to get back on track and pay as many payments.  
8 And now that I've found out about the -- the payments  
9 in arrears, we have made every effort to start paying  
10 those payments back and get -- get current with the  
11 NRC.

12 SPECIAL AGENT FERICH: Okay.

13 MR. WHITE: I don't know what the  
14 consequences are. If the consequences are -- are  
15 putting us out of business, well, then, that's --  
16 those are the consequences.

17 SPECIAL AGENT FERICH: Okay. Like I said,  
18 just a couple more questions, and we should be able to  
19 wrap it up. Did you ever think by not making the  
20 payments that it may be a public safety issue? Since  
21 -- since there were less funds available, less waste  
22 could be removed from the site?

23 MR. WHITE: No.

24 SPECIAL AGENT FERICH: Okay. Because the  
25 money was being put into a trust fund for essentially

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1 waste removal. Okay. So that didn't -- that didn't  
2 cross your mind, then?

3 MR. WHITE: No.

4 SPECIAL AGENT FERICH: Okay.

5 MR. WHITE: Do you mean -- do you mean --  
6 well, I didn't know about it until we -- until Mr.  
7 Lynch made me aware of it, and then we notified the  
8 NRC.

9 SPECIAL AGENT FERICH: Right.

10 MR. WHITE: Of our tardy --

11 SPECIAL AGENT FERICH: Okay.

12 MR. WHITE: -- situation.

13 SPECIAL AGENT FERICH: Okay. Did you  
14 review the NRC demand for information and the  
15 subsequent response?

16 MR. WHITE: Yes, I was sent -- I was sent  
17 that correspondence.

18 SPECIAL AGENT FERICH: Okay. And who  
19 reviewed those documents? Who was part of that?

20 MR. WHITE: Do you mean the demand for --

21 SPECIAL AGENT FERICH: Yes, demand --

22 MR. WHITE: -- information?

23 SPECIAL AGENT FERICH: Yes.

24 MR. WHITE: Bill Lynch reviewed them.

25 SPECIAL AGENT FERICH: I beg your pardon?

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1 MR. WHITE: Bill Lynch reviewed them.

2 SPECIAL AGENT FERICH: Okay.

3 MR. WHITE: Reviewed the documents. He  
4 sent a copy to me, we reviewed them together, and Bill  
5 Lynch responded to that -- those -- those -- that  
6 request.

7 SPECIAL AGENT FERICH: Okay. And what  
8 about your -- your other partner? I'm sorry. What  
9 was his name?

10 MR. WHITE: Jack Miller?

11 SPECIAL AGENT FERICH: Yes. Did he review  
12 that also?

13 MR. WHITE: I don't think he did.

14 SPECIAL AGENT FERICH: Okay. And is that  
15 because you're 51 percent?

16 MR. WHITE: Well, because he doesn't take  
17 -- I mean, he really doesn't take an active role in  
18 the -- in the company.

19 SPECIAL AGENT FERICH: Okay. What's the  
20 business outlook for Safety Light?

21 MR. WHITE: Well, we're cautiously  
22 optimistic. Our business is increasing. The economy  
23 is getting better. We feel that we're back on track,  
24 and we -- we're optimistic that if the economy stays  
25 strong we're going to be able to -- to make payments

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1 and continue on --

2 SPECIAL AGENT FERICH: Okay.

3 MR. WHITE: -- in a healthy -- with a  
4 healthy company.

5 SPECIAL AGENT FERICH: Okay. So Safety  
6 Light Corporation can make a commitment to fund the  
7 back payments and to become current?

8 MR. WHITE: That's not what I said. What  
9 I said was we are making every effort to fund the back  
10 payments and remain current. And I believe that we're  
11 -- we're gaining on that, and we -- we feel that if  
12 the economy remains strong we'll be able to accomplish  
13 those -- those things. Yes.

14 SPECIAL AGENT FERICH: Okay. Any  
15 timeframe when Safety Light can become current  
16 regarding your trust fund?

17 MR. WHITE: I'd be happy to respond to  
18 that after I discuss it with Bill Lynch. I'm not  
19 involved in the day-to-day running of either business.

20 SPECIAL AGENT FERICH: Okay.

21 MR. WHITE: Either Isolight or Safety  
22 Light or any of the other lighting businesses that  
23 we're involved in.

24 SPECIAL AGENT FERICH: Okay.

25 MR. WHITE: And I'd -- I'd be happy to

1 respond to that when -- when I discuss it with Bill.

2 SPECIAL AGENT FERICH: In December -- I  
3 believe it was in December of 2003, or possibly  
4 February of 2004, I know Safety Light made a -- made  
5 two payments of I think it was \$13,500 towards the  
6 trust fund. Was that money from Safety Light, or was  
7 that money from assets outside the company?

8 MR. WHITE: From Safety Light.

9 SPECIAL AGENT FERICH: Okay. Marie, any  
10 questions before -- I'm pretty much done.

11 MS. MILLER: I'd just like clarification  
12 -- your title at Safety Light Corporation is  
13 President, correct?

14 MR. WHITE: I think I am. I'm not -- yes,  
15 I think I am President of Safety Light.

16 MS. MILLER: Okay.

17 MR. WHITE: Vice President of Isolight,  
18 yes.

19 SPECIAL AGENT FERICH: Okay.

20 MS. MILLER: And Vice President of  
21 Isolight.

22 MR. WHITE: Yes, sir. Yes, ma'am.

23 SPECIAL AGENT FERICH: Okay.

24 MS. MILLER: Thank you.

25 SPECIAL AGENT FERICH: And you are

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1 obviously compensated by Safety Light.

2 MR. WHITE: Yes. I am on -- I have a  
3 salary.

4 SPECIAL AGENT FERICH: Okay. Any other  
5 questions?

6 Okay. All right. Just -- we're just  
7 going to kind of summarize here. Have I or anyone  
8 from the NRC threatened you in any manner?

9 MR. WHITE: Certainly not.

10 SPECIAL AGENT FERICH: Okay. Have you  
11 offered the information freely and voluntarily?

12 MR. WHITE: Yes.

13 SPECIAL AGENT FERICH: And is there  
14 anything else that you would like to provide regarding  
15 this matter?

16 MR. WHITE: Other than you're certainly  
17 welcome to call me and discuss these -- these  
18 situations, and we're going to make any -- every --  
19 every effort, now that I'm aware of it, to -- to get  
20 current again and to remain in compliance.

21 SPECIAL AGENT FERICH: Okay. Anything  
22 else you'd like to add?

23 MR. WHITE: No.

24 SPECIAL AGENT FERICH: Okay. The time is  
25 now 9:40. The interview is now concluded.

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MR. WHITE: Thank you very much.

(Whereupon, at 9:40 a.m., the interview  
was concluded.)

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CERTIFICATE

This is to certify that the attached proceedings before the United States Nuclear Regulatory Commission in the matter of:

Name of Proceeding: Interview of

Charles White

Docket Number: 1-2003-056

Location: telephone interview

were held as herein appears, and that this is the original transcript thereof for the file of the United States Nuclear Regulatory Commission taken by me and, thereafter reduced to typewriting by me or under the direction of the court reporting company, and that the transcript is a true and accurate record of the foregoing proceedings as recorded on tape(s) provided by the NRC.



---

Lisa Scriber  
Official Transcriber  
Neal R. Gross & Co., Inc.

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**Attachment B**

July 1, 2004

EA-03-219

Mr. C. Richter White, President  
Safety Light Corporation  
4150-A Old Berwick Road  
Bloomsburg, PA 17815

**SUBJECT: PREDECISIONAL ENFORCEMENT CONFERENCE  
(NRC INVESTIGATION REPORT NO. 1-2003-056)**

Dear Mr. White:

This is in reference to an investigation conducted by the NRC's Office of Investigations (OI) on November 25, 2003, to determine if officials of Safety Light Corporation (SLC) deliberately failed to make NRC Trust Fund (the Fund) deposits as required by SLC's License Conditions. The fund was established to provide funding for decommissioning activities at your Bloomsburg, PA facility. The OI investigation also sought to determine whether SLC violated the requirements of 10 CFR 30.9 for failure to provide complete and accurate information in regard to the missed payments.

Based on our review of the investigation report, one apparent violation was identified and is being considered for escalated enforcement in accordance with the "General Statement of Policy and Procedure for NRC Enforcement Actions" (Enforcement Policy), NUREG-1600 (Enclosure 1). The apparent violation involved the failure to deposit the monies into the Fund as required by License Condition 16 and License Condition 20 of Licenses 37-00030-02 and 37-00030-08 respectively. This violation is of particular concern because it may have involved deliberate or willful action on the part of licensee personnel. Enclosure 2 is a Factual Summary for OI Report 1-2003-056, which concluded that SLC's Vice President and the Production Manager deliberately violated the aforementioned License Conditions. Enclosure 3 provides the NRC regulation regarding deliberate misconduct.

Since the NRC has not made a final determination in this matter, no Notice of Violation is being issued for this finding at this time. In addition, please be advised that the number and characterization of apparent violation described in the enclosed Factual Summary of the OI Investigation Report may change as a result of further NRC review.

A closed predecisional enforcement conference to discuss this apparent violation has been scheduled for July 20, 2004, at 1:00 PM. The decision to hold a predecisional enforcement conference does not mean that the NRC has determined that a violation has occurred or that enforcement action will be taken. This conference is being held to obtain information to assist the NRC in making an enforcement decision. This may include information to determine whether a violation occurred, information to determine the significance of a violation, information related to the identification of a violation, and information related to any corrective actions taken or planned. The conference will provide an opportunity for you to provide your perspective on these matters and any other information that you believe the NRC should take

into consideration in making an enforcement decision. In presenting your corrective action, you should be aware that the promptness and comprehensiveness of your actions will be considered in assessing any civil penalty for the apparent violations. Additionally, you should be prepared to discuss why the NRC should have confidence that SLC can comply with the Conditions of the License and perform licensed activities safely in lieu of the apparent financial difficulties your company has had in regard to appropriating the monies for the Fund. Enclosure 4 provides an agenda for this conference. The guidance in the enclosed excerpt (Enclosure 5) from NRC Information Notice 96-28, "SUGGESTED GUIDANCE RELATING TO DEVELOPMENT AND IMPLEMENTATION OF CORRECTIVE ACTION," may be helpful.

You will be advised by separate correspondence of the results of our deliberations on this matter. No response regarding this apparent violation is required at this time.

In accordance with 10 CFR 2.790 of the NRC's "Rules of Practice," a copy of this letter and its enclosure will be made available electronically for public inspection in the NRC Public Document Room or from the NRC's document system (ADAMS), accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>.

Sincerely,

*/RA by George Pangburn Acting For/*

Hubert J. Miller  
Regional Administrator

Docket Nos. 03005980  
03003982

License Nos. 37-00030-02  
37-00030-08

Enclosures:

1. NRC Enforcement Policy, NUREG-1600
2. Factual Summary For OI Report 1-2003-056.
3. 10 CFR 30.10, Rule Prohibiting Deliberate Misconduct
4. Predecisional Enforcement Conference Agenda
5. NRC Information Notice 96-28

cc w/encl (2):  
Commonwealth of Pennsylvania

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 F. Costello, RI  
 J. Kinneman, RI  
 M. Miller, RI  
 K. Farrar, RI  
 D. Screnci, PAO-RI  
 N. Sheehan, PAO-RI  
 D. Holody, RI  
 J. Nick, RI  
 C. Bixler, RI

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OFFICE	RI/DNMS	RI/DNMS	RI/ORR/Enf	RA
NAME	M.Miller MTM1	G Pangburn GCP	D Holody JLN	H Miller GCP for
DATE	07/02/04	07/01/04	07/01/04	07/01/04

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**PREDECISIONAL ENFORCEMENT CONFERENCE AGENDA**

**CONFERENCE WITH SAFETY LIGHT CORPORATION**

**JULY 20, 2004**

**NRC REGION I, KING OF PRUSSIA, PA**

1. INTRODUCTIONS/OPENING REMARKS - NRC PERSONNEL
2. ENFORCEMENT PROCESS - OE REPRESENTATIVE
3. APPARENT VIOLATIONS & REGULATORY CONCERNS - NRC PERSONNEL
4. LICENSEE PRESENTATION - SAFETY LIGHT CORP. REPRESENTATIVES
5. BREAK (10-MINUTES TO BE TAKEN FOR NRC CAUCUS, IF NECESSARY)
6. RESUMPTION OF CONFERENCE
7. CLOSING REMARKS - SAFETY LIGHT CORP. REPRESENTATIVES
8. CLOSING REMARKS - NRC PERSONNEL

## FACTUAL SUMMARY FOR OI REPORT 1-2003-056

This investigation was initiated by the Nuclear Regulatory Commission (NRC), Office of Investigations (OI), Region I, on November 25, 2003, to determine: 1) if officials of Safety Light Corporation (SLC), Bloomsburg, PA, deliberately failed to make required deposits into an NRC Trust Fund, as specifically required by license conditions, and 2) whether the same officials violated the requirements to provide complete and accurate information to the NRC when they failed to timely notify the NRC of the missed payments.

Based on the evidence developed during this investigation, OI concluded that officials of SLC deliberately violated a condition of its license by failing to make the required monthly deposits to the NRC Trust Fund (13 missed payments over a three year period). In reaching this conclusion OI considered that both the Vice President and Production Manager for SLC admitted that they were familiar with the requirements of the SLC license condition that specifically required monthly payments to be made to a trust fund, and were aware that some of the required payments were not being made.

Based on the information developed during this investigation, OI also concluded that although SLC officials made a conscious decision not to affirmatively notify the NRC of the missed payments until November 2003, there was no specific requirement to do so, nor was the failure a violation of 10 CFR 30.9, "Completeness and Accuracy of Information," since this information was not considered to have a significant implication for public health and safety or common defense and security.

**Attachment C**

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U.S. NUCLEAR REGULATORY COMMISSION

REGION I

- - - -

PREDECISIONAL ENFORCEMENT CONFERENCE  
SAFETY LIGHT CORPORATION  
No. EA-03-219

- - - -

Tuesday, July 20, 2004  
1:00 p.m.  
475 Allendale Road  
King of Prussia, PA

- - - -

ALL POINTS REPORTING  
723 Erlen Road  
Plymouth Meeting, PA 19462  
(610)272-6731

ORIGINAL

1 PRESENT:

2 GEORGE PANGBURN, Director, DNMS

3 MARIE T. MILLER, Chief, Decommissioning  
4 Branch, DNMS

5 JOSEPH NICK, Enforcement Specialist

6 KARL FARRAR, Regional Counsel, Region I

7 CHRIS NOLAN, Chief, Enforcement Policy and  
8 Program Oversight

9 GREG MORELL, Enforcement Specialist

10 DAN HOLODY, Team Leader, ENF/ALLEL

11 SAM COLLINS, Deputy Executive, Director,  
12 Reactor Programs

13 FRANK COSTELLO, Deputy Division Director,  
14 DNMS

15 VICKIE FORD, Law Clerk, Region I

16 KRISTIN MONROE, Special Agent, OI, Region I

17 ERNEST WILSON, Field Office Director, OI,  
18 Region I

19 JOHN D. KINNEMAN, Chief, Materials Safety  
20 Branch, Region I

21 ROBERT C. MAIERS, Chief, BRP, PA DEP

22 LINDA DIETZ, Remedial Project Manager,  
23 Superfund Program, U.S. EPA, Region 3

24 STEPHEN H. LEWIS, Senior Attorney

WILLIAM LYNCH, Vice President, Safety Light

LARRY HARMON, Plant Manager, Safety Light

1 BY TELEPHONE:

2 DOMINIK ORLANDO

3 SALLY MERCHANT

4 THOMAS CROWLEY

5 C. R. WHITE

6

- - -

7 MR. PANGBURN: My name is George  
8 Pangburn. I'm the director of the Division  
9 of Nuclear Materials Safety, Region I office  
10 in King of Prussia. And today we're here for  
11 a predecisional enforcement conference  
12 between NRC and representatives of Safety  
13 Light Coropration.

14 We have a number of people here today  
15 in the office as well as on the phone. I'm  
16 going to suggest first that we go around the  
17 table and have the folks introduce themselves  
18 and their affiliation. Then we'll come back  
19 and get the folks who are on the phone and,  
20 finally, the people who are here in the room  
21 that are not up here at the table. We also  
22 have representatives here from the  
23 Commonwealth of Pennsylvania and the U.S.  
24 Environmental Protection Agency. So we'll

1 begin around the table with Marie Miller.

2 MS. MILLER: Marie Miller. I'm  
3 presently the chief of the Decommissioning  
4 Branch and project manager for Safety Light  
5 Coropration.

6 MR. NICK: My name is Joe Nick. I'm  
7 an enforcement specialist here in the Region  
8 I office.

9 MR. FARRAR: My name is Karl Farrar  
10 Region I counsel.

11 MR. NOLAN: Chris Nolan. I'm the  
12 chief of the enforcement policy program,  
13 oversight section.

14 MR. HARMON: Larry Harmon, plant  
15 manager for Safety Light Coropration.

16 MR. LYNCH: Bill Lynch, vice  
17 president, Safety Light Coropration.

18 MR. COSTELLO: I'm Frank Costello,  
19 deputy division director, DNMS.

20 MR. COLLINS: I'm Sam Collins, deputy  
21 executive director, reactor programs.

22 MR. HOLODY: Dan Holody, team leader,  
23 ENF/ALLEL.

24 MR. MORELL: Greg Morell, enforcement

1 begin around the table with Marie Miller.

2 MS. MILLER: Marie Miller. I'm  
3 presently the chief of the Decommissioning  
4 Branch and project manager for Safety Light  
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20 MR. COLLINS: I'm Sam Collins, deputy  
21 executive director, reactor programs.

22 MR. HOLODY: Dan Holody, team leader,  
23 ENF/ALLEL.

24 MR. MORELL: Greg Morell, enforcement

1 specialist out of headquarters.

2 MR. LEWIS: Steve Lewis, Office of  
3 General Counsel, NRC.

4 MR. KINNEMAN: I'm John Kinneman,  
5 chief, Nuclear Materials Safety Branch,  
6 Region I.

7 MR. MAIERS: Bob Maiers. I'm chief  
8 of the Division of Decommissioning and Bureau  
9 of Radiation Protection.

10 MS. DIETZ: I am Linda Dietz,  
11 remedial project manager, Superfund program  
12 from the U.S. Environmental Protection  
13 Agency.

14 MR. WILSON: I'm Ernie Wilson, field  
15 office director, Office of Investigation here  
16 in Region I.

17 MS. MONROE: Kris Monroe, special  
18 agent with Region I.

19 MS. FORD: Vickie Ford, law clerk.

20 MR. PANGBURN: On the phone, I'm  
21 going to start at NRC headquarters.

22 MR. ORLANDO: Nick Orlando, Division  
23 of Environmental Protection and Waste  
24 Management headquarters.

1 MS. MERCHANT: Sally Merchant, Office  
2 of Enforcement headquarters.

3 MR. PANGBURN: Mr. Crowley?

4 MR. CROWLEY: Tom Crowley, Office of  
5 Chief Counsel, Pennsylvania DEP.

6 MR. PANGBURN: And Mr. White?

7 MR. WHITE: Rick White, Safety Light  
8 Corporation.

9 MR. PANGBURN: Thank you very much.  
10 I thank everyone for their presence and  
11 participation today. This conference is  
12 being transcribed and is not open to the  
13 public. It is a closed conference. The  
14 purpose of the conference here today is  
15 really to provide an opportunity for Mr.  
16 White, Mr. Lynch and Mr. Harmon, representing  
17 Safety Light Corporation, with an opportunity  
18 to address issues that were identified in the  
19 July 1 letter that we sent to Safety Light.  
20 In that letter, NRC identified a finding made  
21 by the Office of Investigations relating to  
22 the failure to make payments, deposits of  
23 money to a trust fund for decommissioning for  
24 the Bloomsburg, Pennsylvania, facility.

1 Those findings were identified in the factual  
2 summary that was included with the July 1  
3 letter. And specifically, the officials of  
4 Safety Light deliberately failed to make the  
5 required contributions into the trust fund in  
6 violation of the conditions of their  
7 license. It is OI's conclusion that the  
8 factual summary led us to conclude that a  
9 violation may have occurred as a result of  
10 those alleged activities. And Ms. Miller  
11 will talk in a few moments about that  
12 apparent violation. Anytime OI, the Office  
13 of Investigation, makes a deliberate finding,  
14 it's something of a concern to us. We have  
15 high expectations of licensees and we rely on  
16 licensees and their employees to abide by the  
17 commitments of their licenses as well as NRC  
18 regulations. This particular instance, the  
19 failure to make contributions to the trust  
20 fund, is of particular concern because it was  
21 a key part of the Commission's  
22 decision-making process in 1999 that allows  
23 its license to be renewed under an exemption  
24 from the decommissioning financial assurance

1 requirements.

2 So today we're going to be looking  
3 for Safety Light to provide your perspective  
4 on what OI had to say as placed in that  
5 factual summary. Specifically we're looking  
6 for you to talk about why we should have  
7 confidence that Safety Light can comply with  
8 the conditions of its license and perform  
9 license activities safely in light of some of  
10 the financial difficulties your company has  
11 had in appropriating monies for the fund.  
12 We're also looking for any additional  
13 information that you might be able to provide  
14 on the circumstances under which these  
15 activities took place, any mitigating  
16 factors. To a certain extent, you've already  
17 addressed these in your response to the  
18 demand for information that we sent you in  
19 December of 2003, but circumstances may have  
20 changed since that time, particularly with  
21 respect to business conditions. And any  
22 light you can shed on those would be  
23 helpful.

24 In a moment, Mr. Nick will provide an

1 overview of the enforcement process within  
2 the NRC. And after that, as I mentioned, Ms.  
3 Miller will talk about the apparent  
4 violation. After that, the floor will be  
5 yours to talk with us. It's really your  
6 conference and your opportunity to speak with  
7 us. We'll do our best not to interrupt you  
8 but we may have to throughout in order to  
9 make sure we have a complete understanding of  
10 what you're telling us. And our questioning  
11 will fundamentally come from people here at  
12 the table.

13 If we need to caucus at some point to  
14 make sure that we've got all the information  
15 that we need today, we may step outside the  
16 room briefly and come back and resume the  
17 conference.

18 Having said that, I'll let Joe Nick  
19 go ahead, unless you have any questions at  
20 this moment.

21 MR. LYNCH: No, sir.

22 MR. PANGBURN: Joe?

23 MR. NICK: Good afternoon. My name  
24 is Joe Nick. I'm an enforcement specialist

1 here in Region I. Part of my job is to  
2 coordinate the enforcement actions in the  
3 region. As Mr. Pangburn said, this afternoon  
4 the NRC is conducting this predecisional  
5 enforcement conference with Safety Light  
6 Corporation to discuss an apparent deliberate  
7 violation associated with a failure to make  
8 several of the required monthly deposits into  
9 the NRC decommissioning trust fund. A letter  
10 describing that apparent violation was sent  
11 to Safety Light on July 1, 2004, and that  
12 letter also included a factual summary of  
13 NRC's Office of Investigations report. Prior  
14 to the NRC investigation, I think, as George  
15 also mentioned, the NRC sent Safety Light a  
16 demand for information that was dated  
17 December 19, 2003, to obtain more information  
18 regarding the failure to comply with the  
19 condition of the licenses. Safety Light  
20 responded to the DFI in a letter dated  
21 January 16, 2004, and stated that a slowdown  
22 in business activity made it impossible to  
23 stay current with payment obligations.

24 Since this conference is being held

1 based on the finding from an OI  
2 investigation, it's not open to the public  
3 and it's being transcribed. And I would like  
4 to take a few minutes to briefly provide some  
5 background on the NRC's policy, program and  
6 process as it applies to today's enforcement.

7 The enforcement process began with  
8 the NRC's evaluation of the findings of the  
9 OI investigation as well as the  
10 identification of the apparent violation.  
11 Based on the safety and regulatory  
12 significance, the apparent violation is  
13 preliminarily categorized into one of four  
14 severity levels, with severity level 1 being  
15 the most significant and severity level 4  
16 being the least significant. For any  
17 potential severity level 1, 2 or 3 violation,  
18 a predecisional enforcement conference may be  
19 held. The enforcement conference is  
20 essentially the last step of the process  
21 prior to NRC deciding an appropriate action.

22 The primary purpose of the  
23 predecisional enforcement conference is to  
24 listen to any information provided by you

1 regarding the apparent violation in addition  
2 to the information you've already provided in  
3 your January 16, 2004, letter. During this  
4 conference, you should discuss the apparent  
5 violation, significance, the reason the  
6 violations occurred, including any apparent  
7 root causes that you've identified and any  
8 actions that you've taken to correct the  
9 violation and prevent it from happening  
10 again. During the conference, the NRC will  
11 explore any information that we deem relevant  
12 to help us either decide on mitigation or  
13 escalation of any resulting enforcement  
14 action. Safety Light is invited to provide  
15 us any information that you consider relevant  
16 to the NRC making its decision. You can also  
17 take issue with any of the facts or findings  
18 we've previously described in our letter sent  
19 to you on July 1, 2004. And we can discuss  
20 any of the bases of those challenges.  
21 However, I do want to emphasize that the  
22 purpose of today's meeting is not to  
23 negotiate an enforcement sanction but rather  
24 the conference is to provide us information

1 that will be considered by the NRC in their  
2 decision-making process.

3 While occasionally there's additional  
4 inspection or investigation that can occur  
5 after the conference if it is necessary, we  
6 typically discuss the apparent violations  
7 during this conference and this may be  
8 subject to change and a final decision  
9 regarding the appropriate action will be made  
10 by the Region I office in coordination with  
11 many of our other offices that are present  
12 here today. That's why we have so many  
13 people here attending.

14 Prior to turning the meeting back  
15 over to Mr. Pangburn and Ms. Miller, I would  
16 like to note that any statements or opinions  
17 made by the NRC staff at today's conference  
18 should not be taken as our final NRC position  
19 nor should the lack of an NRC response to a  
20 Safety Light statement be viewed as an NRC  
21 acceptance of any position. With that said,  
22 I'll turn the conference over to Ms. Miller.

23 MS. MILLER: I'm Marie Miller,  
24 decommissioning branch. I'll discuss the

1           apparent violation of condition 16 of your  
2           license 370003002 and condition 20 of your  
3           license 370003008, providing that Safety  
4           Light make monthly deposits to the NRC  
5           account as described in our letter dated  
6           August 3, 1999. This agreement specified in  
7           part deposits of 7,000 each month through the  
8           year 2000; 8,000 from January 1, 2001, and  
9           each month thereafter for 24 months; and then  
10          9,000 from January 1, 2003, and each month  
11          thereafter for 24 months. The financial  
12          assurance exemption was valid until December  
13          31, 2004, which is the date of the license  
14          expiration or the date of any failure to  
15          comply with license conditions. Monies  
16          deposited to the NRC controlled account,  
17          called the NRC trust account, was to be used  
18          for site remediation projects.

19                        During an inspection conducted by NRC  
20                        Region I on November 20, there were inquiries  
21                        made by NRC staff regarding the funding  
22                        status of the NRC trust account. The  
23                        following day, Safety Light Corporation  
24                        management informed NRC Region I that Safety

1 Light had not been depositing these  
2 decommissioning funds into the trust fund as  
3 required by the NRC license. Several  
4 deposits were not made by the licensee,  
5 required by its license condition number 16  
6 and number 20. Specifically Safety Light  
7 Coropration failed to deposit 8,000 in  
8 accordance with the prescribed schedule on  
9 May 1, 2001, and then three additional  
10 deposits of 8,000 each were not made in  
11 accordance with the prescribed schedule  
12 between the period of June 2001 and February  
13 2002. But all of the arrear payments were  
14 made by February 3, 2003.

15 Subsequently the licensee failed to  
16 deposit 9,000 in accordance with the schedule  
17 on January 1, 2003, and then missed eight of  
18 10 monthly deposits of 9,000 each during the  
19 period from February 2003 through November  
20 2003. On December 12, 2003, and February 2,  
21 2004, two deposits of 13,500 each were  
22 deposited into the NRC trust account.

23 The failure to make the prescribed  
24 deposits resulted in a total deficit of

1 72,000 plus interest to the NRC trust fund as  
2 of June 30, 2004. This violation is of  
3 particular concerns because it may have  
4 involved deliberate or willful action on the  
5 part of Safety Light personnel. Both the  
6 vice president and plant manager for Safety  
7 Light Coropration admitted they were familiar  
8 with the requirements of the Safety Light  
9 license conditions that specifically required  
10 monthly payments to be made to the NRC trust  
11 fund and that these individuals were aware  
12 that some of the required payments were not  
13 being made.

14 That's the statement with regard to  
15 the apparent violation.

16 MR. PANGBURN: Unless there are any  
17 questions from you here, I'm going to turn it  
18 over to you, Bill, Larry and Mr. White, for  
19 your response.

20 MR. LYNCH: Very good. My name is  
21 Bill Lynch. I'm the vice president of Safety  
22 Light Coropration. I must admit I'm rather  
23 intimidated by the numbers against me today.  
24 But we'll forge ahead anyway.

1           I'd like to preface my remarks by  
2           reading from a letter that I wrote to the NRC  
3           in August of 1999, an excerpt from that  
4           letter describing the negotiation for the new  
5           escrow payments. I read as follows: "We  
6           have carefully evaluated our ability to  
7           contribute to the escrow fund and believe  
8           that the above contributions represent a  
9           significant increase from our earlier  
10          proposal. However, it is with some  
11          trepidation that we make this proposal as we  
12          will be dependent upon a stable growing  
13          economy in which we can continue to grow our  
14          business to fund this aggressive escrow  
15          increase." And the escrow increases we're  
16          referring to are the 7,000, 8,000 and 9,000  
17          numbers.

18                 Now, as we all know, after September  
19          11 of 2001, the U.S. economy was greatly  
20          impacted. The lighting industry also felt  
21          the impact of the economic recession that  
22          followed. And we had struggled mightily  
23          through this period to keep afloat, to keep  
24          signs going out the door, to keep people

1 employed and to keep the business  
2 functioning. During that time period, we had  
3 temporary layoffs. We had salary cuts. We  
4 did many different things to combat the  
5 economic recession that we were in. We felt  
6 a downturn in our business of approximately  
7 20 percent in gross receipts. This obviously  
8 has a major impact in our cash flow and our  
9 ability to meet our obligations. I must  
10 confess and I have confessed that I was well  
11 aware of our obligation to make escrow  
12 payments, as we had been making them on a  
13 timely basis for the entire period of my  
14 employment at Safety Light, which is  
15 approximately eight years, with some  
16 exceptions, which were noted, which we caught  
17 up with. However, we found ourselves in a  
18 difficult position in 2003 after having  
19 struggled through a very difficult year in  
20 2002 and we did not have the cash flow, the  
21 extra cash flow available to make the monthly  
22 deposits of \$9,000. Larry and I conferred  
23 about this situation and we made the decision  
24 or I made the decision, I should say, to make

1           sure that our vendors were paid, our  
2           employees were paid and that the business had  
3           an ongoing value rather than divert funds to  
4           the escrow payments instead of to those  
5           things which would keep us as a viable  
6           business. And we did this for a period of  
7           nine months. We brought it to the attention  
8           of the NRC. Although I must say that we had  
9           presumed the NRC was already aware of the  
10          failure of ourselves to make these  
11          contributions because they also sent  
12          statements, to the best of our knowledge,  
13          from the bank that holds the escrow funds.  
14          But nonetheless we're not denying  
15          responsibility. We were well aware that  
16          these payments were missed and it was largely  
17          because our cash flow would not support it.  
18          We, as I mentioned, suffer a significant  
19          downturn in our business, which made it  
20          impossible to have the extra \$9,000 per month  
21          required to make these payments.

22                        In December, I believe, we made an  
23                        additional payment of \$4,500 and we did it  
24                        again in one additional month to bring the

1 arrears from 81,000 down to 72,000. And we  
2 have made a commitment to continue to try to  
3 pay additional sums as we are able. The good  
4 news is that business has responded very well  
5 over the past six months. I can gladly state  
6 that we have seen an increase of 26 percent  
7 in our billings for the period January 1 to  
8 June 30, 2004, versus 2003. While this  
9 doesn't immediately turn into available cash,  
10 it will in the not-too-distant future help us  
11 to recover from the difficult period we were  
12 in. Our short-term prospects and long-term  
13 prospects are both very promising. Business  
14 looks to be very strong. In fact, as I sit  
15 here today, we have the largest backlog of  
16 orders that we have ever had, certainly in my  
17 eight years of experience, and I believe in  
18 Mr. Harmon's as well, which is over 20  
19 years. So we're very encouraged by that.

20 We have fought very diligently to  
21 retain market share, to know and to grow our  
22 business for the benefit of our employees,  
23 the local area in which we operate, and also  
24 to allow us to get current with our

1 responsibility with our escrow payments. We  
2 don't take this lightly in any way, shape or  
3 form. We recognize that it is an obligation  
4 of our license and we have every intention to  
5 become current at the earliest time  
6 available. It would be lovely if I could  
7 write a check today for \$72,000 and make all  
8 this problem go away. Unfortunately, we  
9 don't have such a surplus or have such an  
10 ability.

11 So that, briefly stated, is the  
12 situation, which we've gone over in our  
13 deposition with the Office of Investigation.  
14 We've provided the records which substantiate  
15 our statements that no funds were going  
16 anywhere other than to the required vendors  
17 to keep sign parts coming in and signs going  
18 out to our customers. We're here today to  
19 answer any questions regarding what got us  
20 into this position and certainly to work  
21 toward a solution going forward. With that,  
22 I have no further comments and I welcome your  
23 questions.

24 MR. PANGBURN: Larry, anything?

1 MR. HARMON: I don't have anything to  
2 add to that.

3 MR. PANGBURN: Mr. White, anything?

4 MR. WHITE: No.

5 MR. PANGBURN: We have a couple  
6 things. We'll start here, and others from  
7 the NRC staff can certainly join in here. I  
8 guess Mr. White, a question for you, if I  
9 may. In the reply that was sent in to the  
10 NRC demand for information, it was stated  
11 that it was never really a conscious decision  
12 to ignore the funding obligation and that  
13 Safety Light, as Bill put in his letter to  
14 us, optimistically expected to be able to  
15 catch up. But there were several months in  
16 2003 where the payments were not made. Did  
17 Bill or Larry Harmon discuss with you the  
18 inability of Safety Light to make these  
19 payments and possibly some business strategy  
20 that might enable them to catch up?

21 MR. WHITE: I don't recall our  
22 discussion about payments in arrears until  
23 late in '03. I had no idea to what extent we  
24 were in arrears. And shortly before we

1 notified the NRC, Bill Lynch and I discussed  
2 the matter and decided to notify the NRC,  
3 even though we thought the NRC had prior  
4 knowledge of that. But I did not know the  
5 extent that we were in arrears at all.

6 MR. PANGBURN: Part of the question  
7 when OI was talking with you, Bill and Larry,  
8 I think Larry may have stated that in the  
9 process of making monthly payments, all the  
10 payments to vendors and so forth, that he  
11 would talk with Mr. Lynch about how much  
12 money was needed to keep the business going  
13 and then money would be deposited in the  
14 account. But if there wasn't enough money,  
15 then Safety Light had to juggle things in  
16 order to pay the vendors. I guess I'm kind  
17 of questioning where funds come from to be  
18 placed into the accounts payable account that  
19 seems to be talked about here.

20 MR. LYNCH: Funds come from Safety  
21 Light's customers.

22 MR. PANGBURN: So you're simply  
23 taking internal revenues, not from any other  
24 sources?

1 MR. LYNCH: No, it's from the  
2 customers of Safety Light who are paying  
3 their invoices in the due course of business.

4 MR. PANGBURN: Okay.

5 MS. MILLER: The question I have is  
6 in the 2001, 2002 time frame, you had caught  
7 up but then there were several months that  
8 had gone in 2003. Were you looking at any  
9 specific business strategies to give some  
10 weight to the optimism that you had that you  
11 would be able to catch up and did you discuss  
12 that at all?

13 MR. LYNCH: Which time period are you  
14 referring to?

15 MS. MILLER: In 2003, when you were  
16 missing several months in a row where you  
17 were not able to make the payment.

18 MR. LYNCH: We, unfortunately, have  
19 neither a crystal ball nor the ability to  
20 generate sales at will. We have to compete  
21 in a very competitive marketplace for our  
22 products. When the construction industry is  
23 down, we suffer. And in 2001, 2002, there  
24 was a recession in this country that just

1 affected every industry, not just the  
2 lighting industry and not just Safety Light.  
3 As buildings were postponed in 2001 and 2002,  
4 we don't feel the effects until later on.  
5 We're usually the last items sent into a  
6 building. So we don't feel it until a little  
7 bit later on in the process and that's why we  
8 felt it worse probably than some companies  
9 that are in the early stages of a product  
10 development or building.

11 Our strategy has always been to be as  
12 aggressive as we can be to generate sales.  
13 Meanwhile we imposed strategies upon  
14 ourselves in which we had layoffs, we had  
15 salary reductions, we did those steps that  
16 prudent management would do to control  
17 overhead in a time of decreasing revenues.  
18 So there were a number of strategies that we  
19 used, some with more success than others.  
20 We're generally optimistic people. We like  
21 to think that we sell a good product and it's  
22 well received in the marketplace. We have  
23 worked very diligently to improve our  
24 international sales and our market acceptance

1 within other lighting companies. And without  
2 boring you on all the details, the answer is  
3 yes, we employed lots of different ways to  
4 try and grow our business.

5 MS. MILLER: I appreciate that.  
6 During the joint meeting in July 2003, a  
7 meeting where we were in attendance also --  
8 it was actually held at the EPA Region 3  
9 office in Philadelphia. NRC was there. We  
10 had discussions regarding the funding  
11 balances in both the insurance fund as well  
12 as the NRC trust fund. And it was at that  
13 time that you stated that you, based on the  
14 expected and present invoices that you had  
15 received from your contractor with respect to  
16 the remediation work, that most likely the  
17 insurance fund would be accepting some  
18 specific amounts that you were requesting to  
19 hold back and that the NRC trust fund would  
20 have to be used to pay the contractor.  
21 That's just to set the background. Is that a  
22 discussion you recall in July?

23 MR. LYNCH: I don't recall the  
24 specifics. I do recall in general that we

1 knew we were going to have to dip in the  
2 trust fund to pay these bills. I don't  
3 dispute that.

4 MS. MILLER: While you did not  
5 disclose at that time that there were missed  
6 payments, there was recognition that you  
7 would be using the trust fund, is that  
8 correct?

9 MR. LYNCH: I believe so.

10 MS. MILLER: Then obviously in  
11 November 2003, when we had the inspection and  
12 the waste was packaged and ready to go, it  
13 was at that time that we didn't have the full  
14 funding amount available in the trust fund.  
15 In fact, it was at that point that the trust  
16 fund was short 81,000 and the shortfall  
17 precluded the ability to ship waste that was  
18 packaged and characterized. But since  
19 December, you were able to make additional  
20 payment. Could you discuss what changes were  
21 made by Safety Light so that you could make  
22 those payments?

23 MR. LYNCH: I'd like to go back and  
24 discuss our meeting with the EPA, if I

1           could. At that time, we did provide balances  
2           in the escrow funds and we gave you actual  
3           numbers, not numbers missing. Those were  
4           factual numbers, not projected numbers, just  
5           so we're clear on that.

6                       As far as what we did specifically in  
7           those two particular months to make the extra  
8           payments, I can't point to any specific  
9           situation other than we worked very  
10          diligently to make sure we can squirrel away  
11          some extra cash to take care of that. There  
12          was not one specific action that makes this  
13          possible.

14                      MS. MILLER: I was trying to set a  
15          background, obviously, for people that  
16          weren't there, that it was crucial to have  
17          the additional funds to be able to ship the  
18          additional waste while the contractor was on  
19          site. Is there anything that could have been  
20          done to get that money into the account so  
21          that additional waste could have been shipped  
22          in December?

23                      MR. LYNCH: Well, at the time of our  
24          meeting, we certainly didn't know if that

1 amount of monies was going to make a  
2 difference because we didn't know what the  
3 bill was going to be at that particular point  
4 in time. Larry, correct me if I'm wrong. We  
5 had no idea that the difference was going to  
6 be 100,000, 300,000 or 50,000. So there was  
7 no idea at that point that specific shortfall  
8 was going to cause any sort of a problem.  
9 And you're asking me, if I may paraphrase,  
10 what we could have done to come up with the  
11 extra monies to bring it current?

12 MS. MILLER: Well, just to be able --  
13 at that time, in early December, is when the  
14 shipments were being made and the contractor  
15 was there, and then yet within the next  
16 month, the next two months, you were able to  
17 make two payments of 13,500.

18 MR. LYNCH: There's a significant  
19 difference between an extra \$4,500 over a  
20 60-day period and coming up with \$81,000 at a  
21 specific point in time. There's no specific  
22 remedy. Our sales are not a constant. They  
23 go up and down. Our cash flow is not a  
24 constant. The customers don't always pay at

1 a specified point in time. We have to chase  
2 them to get money oftentimes. So there's no  
3 specific remedy that would have made that  
4 problem go away.

5 MS. MILLER: So again, the funds came  
6 from the customers, the additional funds?

7 MR. LYNCH: That's correct.

8 MR. PANGBURN: We've been working, as  
9 you point out in the DFI, we have been  
10 working closely together since 1999 on the  
11 renewal decisions. And I guess one question  
12 that comes to mind to me is, when you really  
13 knew in the beginning of 2003 that you were  
14 having difficulty making payments on a fairly  
15 continuous basis, why didn't someone give us  
16 a call and try to work through a strategy?  
17 Even if it had been \$1,000 a month, some kind  
18 of strategy to let us know, A, the problem  
19 exists; and B, George or Ron or Marie, we  
20 want to let you know we're having these  
21 difficulties and we're trying to work through  
22 a solution to see if we couldn't work out a  
23 solution. Is there any --

24 MR. LYNCH: Well, I have no good

1           excuse to offer. Sometimes when you get  
2           behind, you're optimistic that it's going to  
3           be a short situation. In retrospect, we  
4           should have told you long before we did. No  
5           question about that. That's an absolute  
6           certainty, we should have. We did think you  
7           knew about it, although we hadn't brought it  
8           to your attention. That part is absolutely  
9           true. And we were doing everything we could  
10          to make it happen. We didn't think there was  
11          anything you could do from your side that was  
12          going to make our business better or increase  
13          our cash flow or help us sell more signs,  
14          although I do believe that Larry mentioned  
15          one possible solution to our problem would be  
16          for the government to buy all their signs  
17          from us. If you could make that happen, we  
18          might be out of this problem in no time at  
19          all.

20                   MR. PANGBURN: I'm not sure that was  
21                   an option available to us at that time.

22                   MR. LYNCH: There's no excuse. We  
23                   optimistically felt we could work our way out  
24                   of it and didn't think there was anything you

1           could do from your prospective to help our  
2           sales.

3                         MR. HARMON: We never felt that we  
4           were not going to pay this bill at some  
5           point.

6                         MR. HOLODY: You talked earlier, when  
7           there was a downturn in the business post  
8           9/11, you made a conscious decision to pay  
9           the vendor, pay the employees, to make sure  
10          the business had value. What did you mean by  
11          the latter?

12                        MR. LYNCH: To make sure the business  
13          could be an ongoing concern.

14                        MR. HOLODY: And in financial terms,  
15          what did that mean?

16                        MR. LYNCH: Just so we could keep the  
17          doors open and keep paying people and keep  
18          signs going out the door. That's all that  
19          means. That's all I meant by it.

20                        MR. HOLODY: Just the cost of running  
21          the business besides paying the vendors,  
22          besides paying the employees, were there  
23          additional monies available?

24                        MR. LYNCH: No. And I think that

1           it's verified through the accounts payable  
2           and other information we provided. There  
3           wasn't any money going anywhere else except  
4           paying employees and keep product going out  
5           the door.

6                     MR. PANGBURN: You mentioned salary  
7           deductions. Who did those apply to?

8                     MR. LYNCH: Everybody. There were  
9           layoffs. We have a union shop up there.  
10          Some of the production workers are union. So  
11          with the union, we don't have -- correct me  
12          if I'm wrong -- the luxury of salary  
13          reductions. Instead, with the union, we had  
14          to have layoffs, which we did. The salary  
15          reductions were for all of our salaried  
16          employees and that includes everyone.  
17          Myself, Larry, Rick White, everybody.

18                    MR. PANGBURN: All right. In your  
19          opening remarks, you talked about the  
20          significantly improved business projection  
21          even from what you had said in January in  
22          your response to the DFI. I guess overall  
23          you're looking for being in a better position  
24          than you were six months ago, is that

1 accurate?

2 MR. LYNCH: Yes, it is accurate. Our  
3 business in terms of revenues or sales, let's  
4 say, is up 26 percent the first six months of  
5 this year versus the first six months of last  
6 year. Now, a sale doesn't necessarily mean  
7 cash right away but it is an indication of  
8 the business environment that we're in, what  
9 we've been able to achieve in the sales  
10 front. And, as I mentioned, our order  
11 backlog is at historic highs. So that means  
12 not only today are we ahead 26 percent but we  
13 anticipate being ahead all year.

14 MR. PANGBURN: Have you ventured into  
15 new areas, new sectors of the economy with  
16 your sign sales?

17 MR. LYNCH: No.

18 MR. PANGBURN: Simply an increase in  
19 market share?

20 MR. LYNCH: Yes.

21 MS. MILLER: Have you been able to,  
22 with this improved business outlook, restore  
23 salaries or hire additional people?

24 MR. LYNCH: Yes, we have restored

1 salaries. We have brought people back who  
2 were laid off. And we also hired additional  
3 people to take care of the backlog we have,  
4 help take care of the backlog we have.

5 MS. MILLER: And I know while you are  
6 unable to commit to a schedule for making up  
7 your arrears payment, the fact you have made  
8 one payment, is there any forecast as to when  
9 the arrears can be made up?

10 MR. LYNCH: Well, frankly, we're  
11 working on that now, trying to determine cash  
12 flow based on historic cash flow, which is  
13 not always a good indicator when your  
14 customers are going to pay you. But it is  
15 still going to take many months before we can  
16 take care of the \$72,000 remaining. And I  
17 think we mentioned in our license renewal  
18 request we anticipate this carrying over into  
19 the next license period, provided we have a  
20 next license period, which we're hoping for.  
21 And largely it would depend upon what the  
22 demands are of the escrow payments at that  
23 time. I mean, if they stay at a high or  
24 maybe I use the term "onerous" level, it may

1 be more difficult to take care of the arrears  
2 than if they were at a more workable level  
3 based on the volume of our business.

4 MR. PANGBURN: Is there any reason to  
5 think you won't be able to make payments, the  
6 required payments, not the arrears payments,  
7 for the remainder of this year?

8 MR. LYNCH: No, sir.

9 MR. HARMON: I don't think we can  
10 make that statement.

11 MR. LYNCH: He asked me is there any  
12 reason to believe, and I said no, there's no  
13 reason to believe.

14 MR. HARMON: Not right now.

15 MR. PANGBURN: I'm not asking for a  
16 guarantee. I'm asking, is there anything you  
17 know of?

18 MR. HARMON: Obviously if they blow  
19 up the San Francisco bridge, we're going to  
20 be in the same boat.

21 MR. PANGBURN: I understand.

22 MR. LYNCH: The input we have from  
23 our reps and customers today, we see a good  
24 year and we see no reason why we'll have any

1 problem in meeting our current obligation.

2 MR. COSTELLO: A couple questions.  
3 Is Shield Source the principal supplier of  
4 transidium that you use in Canada?

5 MR. LYNCH: Shield Source is the  
6 principal supplier of light sources.

7 MR. COSTELLO: And Isolight, the  
8 business you do through them, what fraction  
9 of your sales goes through Isolight?

10 MR. LYNCH: I don't have that number  
11 at my fingertips. It's a large percentage,  
12 more than 50 percent.

13 MR. COSTELLO: Would you say your  
14 principal customer is Isolight?

15 MR. LYNCH: Yes.

16 MR. COSTELLO: Since they share  
17 ownership -- I think Shield Source is a  
18 supplier. Isolight is a distributor. Can  
19 you talk about the relationship between these  
20 three companies? How does that work? What  
21 does it mean for Isolight not to pay Safety  
22 Light?

23 MR. LYNCH: Well, there is a  
24 commonality of ownership, although they're

1 not the same owners of each business. Shield  
2 Source is a supplier of transidium light  
3 sources. We were unable to continue to  
4 produce light sources at Safety Light due to  
5 the U.S. government's decision to discontinue  
6 the sale of transidium commercially. So  
7 Safety Light purchases its light sources that  
8 go into its signs from Shield Source. Safety  
9 Light then markets and distributes its  
10 products through Isolight as one channel and  
11 other customers as well.

12 MR. COSTELLO: Was Shield Source one  
13 of those vendors that needed to be paid  
14 during this period of time that we're talking  
15 about?

16 MR. LYNCH: Yes and no. I mean, we  
17 did certainly have to pay for some of the  
18 transidium that came in. But the vendors  
19 that are outside of the Shield Source group  
20 are the ones that were of higher priority,  
21 the people we buy the aluminum frame from,  
22 the stencil faces from, all the parts that go  
23 into our signs. But certainly Shield Source  
24 was a vendor that we pay.

1 MR. COSTELLO: Why would they be of a  
2 higher priority?

3 MR. LYNCH: Maybe I shouldn't say  
4 higher priority because we have to pay  
5 everybody.

6 MR. HARMON: But for making the tubes  
7 to put out the product, they were a priority  
8 as far as keeping their business going, as  
9 far as paying for materials. That was  
10 required for them to provide materials to us,  
11 just like any of the other vendors.

12 MR. COSTELLO: Did you consider, in  
13 terms of raising revenues for Safety Light to  
14 pay the escrow fund, charging more to  
15 Isolight? Was that an option?

16 MR. LYNCH: Well, it would be an  
17 option if Isolight could charge more to the  
18 market for its products. However, the  
19 emergency lighting business has seen a  
20 significant drop in its sales prices for  
21 products over the past five years. As an  
22 example, an OED classic exit sign which we  
23 could sell five years ago for \$54 is now  
24 selling for \$18. So with the competitive

1 pressure of all the emergency lighting  
2 products, the answer is no, they couldn't  
3 charge more.

4 MR. COSTELLO: And was it during this  
5 time that -- and I'm not exactly sure of the  
6 ownership of [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 MR. COSTELLO: Yes. What's their  
11 relationship to Isolight?

12 MR. LYNCH: There's no relationship.  
13 They're a customer of Safety Light.

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 MR. COSTELLO: Do they have a  
18 competitive relationship?

19 MR. LYNCH: They do.

20 MR. COSTELLO: So that would be  
21 another one of your customers?

22 MR. LYNCH: That's correct.

23 MR. COSTELLO: Thank you. That's  
24 all.

1 MR. FARRAR: Just one question with  
2 regard to the waste that you're generating in  
3 your current business. What are you doing  
4 with that? How do you dispose of it?

5 MR. HARMON: We have been given --  
6 it's in our license that every two years,  
7 accumulated waste, every two years we have to  
8 get rid of it. We have been getting rid of  
9 it except this last time, I think it was like  
10 54 curies of transidium takes up a small  
11 volume that we couldn't get rid of at this  
12 time. There was no place to dump that waste,  
13 the foils. And so we accumulated that. But  
14 all the other waste that we accumulate we got  
15 rid of.

16 MR. FARRAR: How do you propose  
17 getting rid of the foils?

18 MR. HARMON: Right now there's no way  
19 to get rid of it at the present time.  
20 There's no place accepting them.

21 MR. PANGBURN: Barnwell maybe?

22 MR. HARMON: We never had a license  
23 at Barnwell. Barnwell, I understand, has to  
24 have certain -- you have to tell them how

1 many cubic feet and pay for that --

2 MR. PANGBURN: Allocation.

3 THE WITNESS: -- allocation. And we  
4 never applied for that. So we don't have an  
5 allocation at Barnwell. We never shipped  
6 waste to Barnwell since I've been there in  
7 '79. We went to Washington at the time when  
8 they were going to have their own compactor  
9 and we were sort of idle at that time waiting  
10 for the compactor to open up, which obviously  
11 never happened.

12 MR. NOLAN: I guess you spared the  
13 details but details sometimes are important.  
14 And if you could talk about the numbers of  
15 layoffs and the extent of the salary  
16 reductions and the time frames that they  
17 occurred, that might be useful. I realize  
18 the details might not be on the top of your  
19 head and you may have to provide it at a  
20 later time. But those kind of details are  
21 useful because they're indicators of your  
22 business. You're talking in a lot of  
23 generalities. And there are some things that  
24 we have to look at to make sure of our own

1 assessment. So if you want to speak to that,  
2 that's something that would be of interest to  
3 me.

4 MR. LYNCH: This is Bill Lynch for  
5 Safety Light. Unfortunately, that  
6 information is not resting on the top of my  
7 mind. However, I will give you a general  
8 picture and provide detail for you later if  
9 you'd like. My recollection is that all  
10 salaried employees took a 20 percent pay cut  
11 for a period of many months. The number of  
12 months, I'll have to get back to you. I  
13 don't know. It's a 20 percent pay cut across  
14 the board.

15 MR. NOLAN: In the 2003 time frame?

16 MR. LYNCH: This was in the 2002 time  
17 frame when business was at its most  
18 difficult. The layoffs occurred during the  
19 same time period. And I don't know the  
20 numbers of people affected by this and how  
21 much they were off. We can certainly provide  
22 that information.

23 MR. NOLAN: The other question that  
24 comes to mind, just for clarification on my

1 part, is you talked a number of times about  
2 optimism for the future and you indicated  
3 there's no reason that you wouldn't make your  
4 required payments for the remainder of the  
5 year. Is there any initiative on your part  
6 to actually look at making gains on those  
7 payments and sharing your plans with the  
8 NRC?

9 MR. LYNCH: Certainly we'll be happy  
10 to do that. We are trying to formalize cash  
11 flow now to give us some indication of what  
12 we can project we'll be able to pay in  
13 addition to our normal payment. I'm not  
14 prepared at this particular juncture to share  
15 that. I don't have it with me. But  
16 certainly I would be happy to.

17 MR. NOLAN: Okay, that's all.

18 MR. NICK: This is Joe Nick. One  
19 question. I guess we could refer to it as  
20 corrective actions. If this were to happen  
21 again, a situation similar, what would you do  
22 differently? I think you mentioned it a  
23 little bit. But what would you do  
24 differently in the same situation now with

1 the knowledge that you have today?

2 MR. LYNCH: I would call you the  
3 first day that we missed a payment.

4 MR. NICK: Just call for  
5 informational purposes?

6 MR. LYNCH: I would call to alert you  
7 to the fact that our business conditions were  
8 such that cash flow made it impossible to  
9 meet that month's payment and I would provide  
10 whatever information you requested during  
11 that phone call and would call you as  
12 regularly as you would like with an  
13 indication of what the prospects were.

14 MR. NICK: Okay.

15 MR. PANGBURN: Sam?

16 MR. COLLINS: A couple quick  
17 questions for you. Who makes decisions  
18 within the corporation whether or not to  
19 comply with a license?

20 MR. LYNCH: Well, we are in  
21 compliance with every condition of those that  
22 affect the safety and operations of the  
23 plant. Larry oversees the plant. He is very  
24 dutiful in that regard.

1                   As far as the payables are concerned,  
2                   of which this escrow payment is one, Larry is  
3                   intimately aware of which vendors need to get  
4                   paid right away, which product we're running  
5                   low on and so on. But he confers with me on  
6                   a regular basis as to how much monies we can  
7                   wrestle away from our customers and try to  
8                   pay. So Larry and I make those decisions.

9                   MR. COLLINS: So, Bill, if I heard  
10                   you right, you appear to --

11                   MR. LYNCH: I'm ultimately  
12                   responsible.

13                   MR. COLLINS: Thank you for that.  
14                   You appear to make a cut in compliance with  
15                   the license of what's a safety decision  
16                   versus what's a payment decision.

17                   MR. LYNCH: I only make that  
18                   distinction because it seemed to be a  
19                   distinction made in the OI factual report.  
20                   They're all license conditions that we're  
21                   obligated to take care of. Although I do  
22                   read in the fact finding from OI, if I may,  
23                   I'll read from that. As I read this, it  
24                   says, "Based on the information developed

1 during this investigation, OI also concluded  
2 that although officials made a conscious  
3 decision not to notify the NRC of the missed  
4 payments until November 2003, there was no  
5 specific requirement to do so nor was the  
6 failure a violation of 10CFR30.9."

7 MR. COLLINS: As far as notification.

8 MR. LYNCH: Right.

9 MR. COLLINS: I understand. But the  
10 payment --

11 MR. LYNCH: The payment was  
12 absolutely an obligation of ours.

13 MR. COLLINS: I guess I'm  
14 searching -- what corporate philosophy is  
15 there that allows you to want to comply with  
16 one part of the license but not another?

17 MR. LYNCH: Well, this, like any  
18 private business or many public businesses,  
19 is one that relies on revenues to be  
20 generated to generate the cash to meet its  
21 obligations. This was an obligation that  
22 Safety Light has and we don't deny that  
23 responsibility. But our first goal in any  
24 time of difficulty is to make sure that we

1 can continue to be viable, continue to make  
2 sure that we have product going out the door  
3 that can generate sales, that will in some  
4 time give us the cash to meet this  
5 obligation. And, as mentioned in my letter  
6 of August 1999, which I referred to  
7 initially, it was with some trepidation that  
8 we entered into the agreement because they  
9 were rather large increases, as far as we  
10 were concerned, as far as the increases in  
11 escrow, which were going to depend upon a  
12 stable and growing economy. And we certainly  
13 did not have either a stable or growing  
14 economy during this time period.

15 MR. COLLINS: I understand. Did you  
16 or have you ever as a corporation considered  
17 alternate sources of funding such as  
18 commercial lines of credit? Have you ever  
19 done that as a business?

20 MR. LYNCH: Yes, we have.

21 MR. COLLINS: And that was not  
22 considered in this case?

23 MR. LYNCH: No, it was not.

24 MR. COLLINS: Why?

1 MR. LYNCH: Well, it didn't seem as  
2 though adding debt to our situation was going  
3 to make it better.

4 MR. COLLINS: Well, you yourself say  
5 that you may eventually and you would hope  
6 to, as remaining a viable organization, pay  
7 that off. Wouldn't that also be true in the  
8 commercial line of credit?

9 MR. LYNCH: Yes. And it could  
10 possibly be considered now that business is  
11 stronger again. During the heat of the  
12 battle when this time was going on, it was  
13 not considered because we didn't think during  
14 those economic conditions that a bank was  
15 going to lend us money. But certainly, as we  
16 sit here today, it may very well be an option  
17 available to us.

18 MR. COLLINS: But you're not telling  
19 me that you attempted to do that?

20 MR. LYNCH: We have not attempted to  
21 do that yet, that is correct.

22 MR. COLLINS: Thank you.

23 MR. LEWIS: Bill or Larry, could you  
24 help me get some kind of an idea of what

1 Safety Light can expect to or has  
2 historically generated as debt income after  
3 taxes on an annual basis? What are we  
4 talking about?

5 MR. LYNCH: Well, it's been up and  
6 down depending on the economy. I can tell  
7 you that in 2002, Safety Light posted a loss  
8 of \$46,000. I can tell that you in 2003, we  
9 made a profit. I'm going to be close but not  
10 exactly accurate, \$38,000. We have made  
11 profits as high as probably \$150,000 in the  
12 past probably six, seven, eight years. Does  
13 that answer your question sufficiently.

14 MR. LEWIS: Well, yes. I didn't know  
15 what exact information you had. So obviously  
16 your fiscal year 2003 is closed?

17 MR. LYNCH: That's correct. We are  
18 not a big business, by any means. We're  
19 anticipating revenues this year of just over  
20 \$4 million and we expect to make a profit  
21 based on those revenues.

22 MR. COLLINS: Bill, the charges for  
23 the decommissioning, how is that considered  
24 in your corporation? Is that considered

1 chargeable against past practices?

2 MR. LYNCH: Actually, that \$36,000  
3 profit includes the expensing of our escrow  
4 payments. Even though they weren't paid,  
5 they were expensed. So the \$36,000 profit is  
6 really after the expense of the escrow  
7 payments.

8 MR. COLLINS: So that number would be  
9 incorporated post tax?

10 MR. LYNCH: That is correct. I'm not  
11 an accountant, but I think I said that  
12 correctly.

13 MR. PANGBURN: Any questions from the  
14 folks on the phone? Sally, Nick, Tom?

15 MS. MERCHANT: I don't have any.  
16 This is Sally.

17 MR. ORLANDO: This is Nick. None  
18 from me.

19 MR. WHITE: I have none. And,  
20 frankly, I couldn't ask any anyway.

21 MR. PANGBURN: I'm going to suggest  
22 that we go off line here for just a moment.  
23 I want to step outside with the NRC folks and  
24 just caucus for a moment and we'll be back in

1 just a moment.

2

- - -

3

(Recess.)

4

- - -

5

MR. PANGBURN: This is George again.

6

We've asked a lot of questions here and you

7

talked about the things that you've done over

8

the last couple years. We're in a conundrum,

9

for lack of a better phrase. It's a

10

situation with continued non-compliance with

11

regard to your license situation. You're

12

aware of it. You talked about your plan to

13

look at cash flow and where you stand from a

14

business perspective. And I guess, being in

15

a situation of non-compliance, it does put us

16

in a difficult position, part of the reason

17

we're around the table here today. What's

18

your plan to move forward in terms of getting

19

back to us with a commitment where you're

20

going to be making up payments? When do you

21

think you will have something together?

22

MR. LYNCH: By a week from Friday. A

23

week from this Friday, I will have to you a

24

proposal of how we intend to make up the

1 arrears. I don't know what that date is.

2 MR. NICK: The 30th.

3 MR. PANGBURN: I would encourage you  
4 to be creative in what you're considering in  
5 terms of options. I heard some talk here  
6 about commercial lines of credit. Whatever  
7 opportunity you can avail yourself of in  
8 order to make up this financial difference.  
9 And, Mr. White, I'm speaking to you as well  
10 as to Mr. Lynch here. I would be less than  
11 candid with you if I didn't say this, and  
12 probably against the advice of others, I'm  
13 going to say it anyhow. The fact of the  
14 matter is we're only six months away from a  
15 decision on what to do with your license and  
16 the fact of the matter is we've had a  
17 continuing non-compliance thing going on here  
18 for a number of months. And that  
19 non-compliance has to do with, as I mentioned  
20 in my opening remarks, with the central point  
21 of the Commission's decision on the renewal  
22 last time, which means we can exempt you from  
23 this financial assurance requirement if and  
24 only if you can put funds away to help try to

1 make up that delta. And we need -- I will be  
2 candid. The staff has to look at this, in  
3 all candor, has to look at how you stand with  
4 your compliance history as we would with any  
5 decision. This particular one, because it is  
6 so pivotal, is particularly important. So I  
7 encourage you to put that plan together and  
8 look as expansively as you can at what  
9 options you have available to you to fund the  
10 payments that are in arrears.

11 MR. WHITE: Mr. Pangburn, could you  
12 give us maybe between now and a week from  
13 Friday, work with us, giving us maybe some  
14 direction on how to proceed? We don't want  
15 to come back to you with something that might  
16 be within our budget that's unreasonable to  
17 you. Maybe we would like to get some of your  
18 ideas in the next week to 10 days.

19 MR. PANGBURN: Frankly, I think I've  
20 probably just given those to you at this  
21 point.

22 MR. WHITE: I meant more monetarily.

23 MR. PANGBURN: At this point, we know  
24 the amount is clear, \$72,000 plus interest,

1 the amount that's in arrears. And that plus  
2 the payments that remain for the remainder of  
3 this year are what you need to be looking at  
4 being able to fund through whatever kinds of  
5 arrangements you want to come up with. I'm  
6 sorry I can't be more specific but, believe  
7 me, you don't want my financial advice.  
8 Others here? Steve?

9 MR. LEWIS: George, I think you're  
10 exactly correct. I mean, we're really not in  
11 a position to offer them business advice, for  
12 lack of a better term.

13 MR. PANGBURN: I think Mr. White was  
14 looking for just how much money is it that  
15 they have to make up, and I think that's up  
16 to your straight line projection, what's  
17 here, what's owed for the rest of the year  
18 and what's owed in arrears.

19 MR. LYNCH: We fully understand the  
20 situation. We certainly understand the  
21 severity of the situation. We will make  
22 every effort to fix this problem that we have  
23 created. We have enjoyed a good relationship  
24 with the NRC for 20-plus years. We have

1           operated the plant and the facility in a  
2           responsible manner for that entire period, in  
3           compliance with all the safety and  
4           radiological issues. We have stubbed our toe  
5           here. As the economy faltered, we faltered  
6           also. And in hindsight, we should have been  
7           more proactive in discussing this with you,  
8           discussing possible ways to either  
9           renegotiate the terms of our license  
10          requirement or whatever. I can tell you we  
11          have learned from this experience. This will  
12          never be repeated. And we will come back to  
13          you by a week from Friday with some ideas as  
14          to how we propose to go forward and alleviate  
15          this problem.

16                 MR. PANGBURN: Thank you, Bill. Joe,  
17                 did you want to make closing remarks?

18                 MR. NICK: Yes. This is Joe Nick  
19                 again. I have a few remarks regarding again  
20                 the enforcement process. After today's  
21                 conference, the NRC will make a final  
22                 decision on whether or not the violation  
23                 we've been discussing today actually  
24                 occurred, the significance and willfulness of

1 that violation and what enforcement action is  
2 warranted. As I said earlier, this decision  
3 is made in coordination with many of the  
4 other offices that are represented here  
5 today. We will take into consideration the  
6 findings of our OI report and as well as the  
7 information you presented today and  
8 previously.

9 MR. PANGBURN: And what you provide.

10 MR. NICK: Correct, what you have  
11 promised to provide to us. But there are  
12 basically four options available to the NRC.  
13 So I wanted to go through those. The first  
14 option is to issue an order to Safety Light  
15 to modify, suspend or revoke the NRC  
16 license. The second option is to issue a  
17 civil penalty. The third option is to issue  
18 a written notice of violation without a civil  
19 penalty. And the fourth action is really to  
20 take no action at all.

21 MR. LYNCH: Do we get to vote?

22 MR. NICK: You can certainly give us  
23 your opinion. If an order or civil penalty  
24 is issued, we will issue a press release.



C E R T I F I C A T I O N

I HEREBY CERTIFY that the foregoing is a true and correct transcript of the proceedings held in this matter, as transcribed from the stenographic notes taken by me on July 20, 2004.

  
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BRAD TRATENBERG  
Court Reporter - Notary Public

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UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

BEFORE THE COMMISSION

In the Matter of	)	Docket Nos.	030-5980
	)		030-5982
SAFETY LIGHT CORPORATION	)	License Nos.	37-00030-02
	)		37-00030-08
Bloomsburg, PA	)	EA-04-148	

NOTICE OF APPEARANCE

Notice is hereby given that the undersigned attorney enters an appearance in the above-captioned matter. In accordance with 10 C.F.R. § 2.314(b), the following information is provided:

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Admissions:	U.S. Court of Appeals, D.C. Circuit U.S. District Court, District of Columbia District of Columbia, Court of Appeals
Name of Party:	NRC Staff

Respectfully submitted,

*/RA/*

Mitzi A. Young  
Counsel for NRC Staff

Dated at Rockville, Maryland  
this 4th day of January, 2005

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

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	)		
Bloomsburg, PA	)	EA-04-148	

NOTICE OF APPEARANCE

Notice is hereby given that the undersigned attorney enters an appearance in the above-captioned matter. In accordance with 10 C.F.R. § 2.314(b), the following information is provided:

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Superior Court of Fulton County

Name of Party: NRC Staff

Respectfully submitted,

*/RA/*

Michael A. Woods  
Counsel for NRC Staff

Dated at Rockville, Maryland  
this 4th day of January, 2005

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

BEFORE THE COMMISSION

In the Matter of	)	Docket Nos.	030-5980
	)		030-5982
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SAFETY LIGHT CORPORATION	)	License Nos.	37-00030-02
	)		37-00030-08
	)		
Bloomsburg, PA	)	EA-04-148	

CERTIFICATE OF SERVICE

I hereby certify that copies of "NRC STAFF RESPONSE TO SAFETY LIGHT CORPORATION MOTION TO SET ASIDE THE IMMEDIATE EFFECTIVENESS OF ORDER SUSPENDING LICENSE", "AFFIDAVIT OF GEORGE C. PANGBURN REGARDING IMMEDIATELY EFFECTIVE ORDER ISSUED DECEMBER 10, 2004", "NOTICE OF APPEARANCE" for Mitzi A. Young, and "NOTICE OF APPEARANCE" for Michael A. Woods in the above-captioned proceeding have been served on the following by deposit in the United States mail or by deposit in the Nuclear Regulatory Commission's internal system, or by electronic email as indicated by a single asterisk (\*) on this 4th day of January, 2005.

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*/RA/*

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Mitzi A. Young  
Counsel for NRC Staff