

**Attachment C**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

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  
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 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 Corporation 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.



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

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.

  
-----  
BRAD TRATENBERG  
Court Reporter - Notary Public

(This certification does not apply to any reproduction of this transcript, unless under the direct supervision of the certifying reporter.)