



Edward J. Wolbert | President & CEO
edwolbert@transcoproducts.com

February 6, 2013

Deputy Director / Office of International Programs
U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001

Re: Reply to Notice of Violation: EA-10-226

On January 10, 2013, the U.S. Nuclear Regulatory Commission (“NRC”) issued a Notice of Violation to Transco Products Inc. (“TPI”) for exports of metal reflective insulation (“MRI”) to a customer in Brazil in July 2011 without an NRC specific export license. The Notice of Violation for EA-10-226 requires TPI to submit a written reply that addresses: (1) the reason for the violation, or, if contested, the basis for disputing the violation or severity level; (2) the corrective steps that have been taken and the results achieved; (3) any additional corrective steps that will be taken; and (4) the date when full compliance will be or was achieved. The NRC further specified that TPI’s response may reference previously docketed correspondence. TPI provides the required response to the NRC’s Notice of Violation herein.

(1) The Reason for the Violation

TPI does not contest the NRC’s Notice of Violation.

As explained in TPI’s March 26, 2010 voluntary self-disclosure letter to the NRC, as well as in its December 2, 2010 and February 1, 2012 supplements to the voluntary self-disclosure, at the time of export TPI believed that exports of MRI were subject to control under the Department of Commerce’s Export Administration Regulations as commercial/dual-use items. Because TPI believed that the Department of Commerce exercised jurisdiction over the MRI and not the NRC, TPI was under the belief when it exported the MRI products to Brazil in July 2011 that it was acting in compliance with applicable U.S. export control laws. However, TPI now understands, as the NRC explained in its Notice of Violation, that the NRC believes that this shipment of MRI was subject to NRC export licensing requirements under 10 C.F.R. Part 110, Appendix A because the specific MRI at issue was “especially prepared” to be directly attached to the reactor vessel in Brazil. This distinction, the NRC explains, makes the MRI products exported to Brazil subject to the NRC’s authority under Part 110 and required a specific export license prior to shipment.

(2) Corrective Actions Taken and Results Achieved

As described to the NRC in TPI’s disclosure and supplements, the company has implemented numerous corrective actions to strengthen its export compliance program. In addition to issuing an export compliance policy statement and increased communications with the regulators, TPI has also implemented a number of significant improvements to its compliance program, including the following:

- **Compliance training.** TPI employees, including managers, sales personnel, project managers, and designers, have completed training regarding compliance with U.S. export control laws and regulations offered by the U.S. Commerce Department.

TRANSCO PRODUCTS INC.

Deputy Director / Office of International Programs / USNRC

Reply to Notice of Violation: EA-10-226

February 6, 2013 / Page 2

- **Procedures restricting the exchange of technical information with customers.** TPI created an internal email address to keep track of the transfer of technical information through email to confirm ongoing compliance with technology transfer restrictions.
- **Customer and end-use screening procedures.** TPI retained MK Data Services to screen all customer orders to ensure that the customer does not appear on any lists of Restricted Parties.
- **Recordkeeping.** All files for international shipments are maintained at TPI's offices in Chicago, Illinois and Streator, Illinois for a minimum of five years. TPI also maintains an updated Export History Spreadsheet that identifies each international shipment made by the Company during the last five years.
- **Export compliance monitoring and auditing.** TPI has arranged for annual audits of its export compliance program.

Further, after TPI understood that the NRC asserted jurisdiction over the MRI products shipped to Brazil, TPI applied for and received a specific export license from the NRC for subsequent shipments of MRI products to Brazil. The NRC issued the specific export license, XCOM1245, on October 22, 2012.

TPI's corrective actions have resulted in TPI more thoroughly understanding the NRC's export licensing requirements and putting additional safeguards in place to ensure compliance with U.S. export control laws, including the NRC's Part 110 regulations.

(3) Additional Corrective Actions that will be Taken

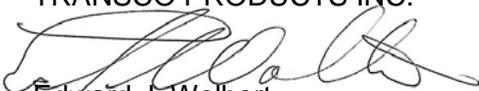
In addition to the corrective actions already taken, TPI will incorporate the NRC guidance from EA-10-226 into its export compliance procedures. TPI also intends to conduct training for its sales personnel on the NRC standards for what type of export is subject to Part 110 and, in particular, the "especially designed" standard articulated in the NRC's Notice of Violation. In addition, TPI intends to develop a policy statement or other guidance to use with its foreign customers to inform them as to when MRI requires an NRC export license.

(4) Date when Full Compliance will be Achieved

Full compliance was achieved on October 22, 2012, when the NRC issued the specific export license for exports to Brazil.

Please contact the undersigned at (312) 896-8501 or TPI's outside counsel at Hogan Lovells US LLP, Daniel F. Stenger (202-637-5691) or Ajay Kuntamukkala (202-637-5552), if there are any questions regarding the information contained herein.

Very truly yours,
TRANSCO PRODUCTS INC.



Edward J. Wolbert
President / CEO