

December 10, 2015

EA-14-080

CampCo, Inc.  
Smith & Wesson Watch Division  
ATTN: Motti Slodowitz, President  
4625 West Jefferson Blvd.  
Los Angeles, California 90016

SUBJECT: NOTICE OF VIOLATION AND PROPOSED IMPOSITION OF CIVIL PENALTIES -  
\$28,000 (NRC INVESTIGATION REPORT NO. 3-2013-021 – CAMPCO, INC.)

Dear Mr. Slodowitz:

This letter refers to the U.S. Nuclear Regulatory Commission's (NRC) 2013 and 2014 investigation and evaluation of the apparent violations by CampCo, Inc. (CampCo) regarding the distribution of watches containing byproduct material (hydrogen-3) without the required licensing authorization.

On July 7, 2015, Mr. Hipolito Gonzalez and staff of the Division of Material Safety, State, Tribal, and Rulemaking Programs (MSTR), Office of Nuclear Material Safety and Safeguards (NMSS), NRC, conducted a meeting with you by telephone to inform you that the NRC is considering escalated enforcement action against CampCo, Inc. CampCo's apparent violations of NRC's regulations were discussed during that meeting. The apparent violations were also described in detail in the letter the NRC issued to you on July 7, 2015. During the meeting and in the letter, you were informed that the NRC was considering escalated enforcement against CampCo for four apparent violations, and you were offered a choice to either request a predecisional enforcement conference (PEC) with the NRC or to request Alternative Dispute Resolution (ADR). You requested a PEC.

On August 31, 2015, a PEC was conducted by phone. You, your consultants, and NRC Staff from Headquarters and Region III were present. The purpose of the conference was to discuss the apparent violations, their significance, their root causes, the potential willfulness of the violations, and your corrective actions. The PEC also allowed NRC to obtain information to assist it in making an informed enforcement decision, and the PEC provided you with an opportunity to present your perspective on the apparent violations and any other information you believed the NRC should take into consideration.

Based on the information developed during the investigation, records inspection, and PEC, including the information that you provided during and after the conference, the NRC has determined that four violations of NRC requirements have occurred. These violations are cited in the enclosed Notice of Violation (Notice) and the circumstances surrounding them are described in detail in Enclosures 1 and 2 of the NRC July 7, 2015 letter to you.

The NRC considers these violations significant because the requirements in Title 10 of the *Code of Federal Regulations* (CFR) 30.3(a) provide reasonable assurance that the transfers and the products intended for use by persons exempt from the regulations meet the applicable requirements. The failure to obtain appropriate license authorization to distribute these products is significant because it resulted in the NRC not being able to conduct its regulatory responsibilities to ensure that the products were safe for distribution to members of the general public. The failure to submit complete and timely required annual reports is significant because it inhibits the process of regulatory oversight in that the information in these reports is necessary for the NRC to evaluate both potential doses to the public from multiple sources and collective doses to the public from these products. The failure to ensure that each lot of tritium timepieces received is accompanied by the required certificates is significant because these reports are necessary to ensure and document that the watches distributed were manufactured properly and meet the regulatory requirements for distribution to persons exempt from the regulations.

NRC considers your actions regarding the first two violations identified in the Notice to be willful. Specifically, on at least two occasions, NRC staff provided you, as the President of CampCo, with information regarding the existence of regulatory requirements and identified the need for CampCo to meet the requirements. However, after your awareness of these requirements, you failed to pursue necessary action to ensure CampCo compliance. Willful violations are of significant concern to the NRC because the NRC's regulatory programs rely upon the integrity of entities, applicants, and licensees to comply with NRC regulations and requirements.

Each of the four violations identified in the Notice have been categorized in accordance with the NRC Enforcement Policy as a Severity Level III violation. The NRC Enforcement Policy may be found on the NRC website at [www.nrc.gov/about-nrc/regulatory/enforcement/enforce-pol.html](http://www.nrc.gov/about-nrc/regulatory/enforcement/enforce-pol.html). In accordance with the NRC Enforcement Policy, a base civil penalty in the amount of \$7000 is considered for each Severity Level III violation.

CampCo has not previously been the subject of escalated enforcement action. However, because Violations 1 and 2, as identified in the enclosed Notice, were determined to be willful, the NRC considered whether credit was warranted for *Identification* in accordance with the civil penalty assessment process in Section 2.3.4 of the Enforcement Policy. Based on the fact that neither violation was identified by CampCo, the NRC has determined that *Identification* credit is not warranted for Violations 1 and 2.

For all four violations identified in the Notice, the NRC considered whether credit was warranted for *Corrective Action* in accordance with the civil penalty assessment process in Section 2.3.4 of the Enforcement Policy. CampCo's corrective actions included submitting an application and receiving NRC license approval for exempt-distribution of the subject timepieces and submitting annual reports identified by NRC. Based on its assessment of CampCo's corrective actions, the NRC has determined that *Corrective Action* credit in accordance with the NRC Enforcement Policy is warranted for Violations 1 and 2. However, for Violations 3 and 4, corrective actions need to be further addressed and credit is not warranted. Therefore, consistent with the NRC Enforcement Policy civil penalty assessment process and in consideration of the four Severity Level III violations as described above, the total proposed imposition of civil penalty for this enforcement action is \$28,000.

The NRC has concluded that information for Violations 1 and 2 regarding (1) the reason for the violations, (2) the corrective steps that have been taken and results achieved, (3) the corrective

steps that will be taken, and (4) the date when full compliance will be achieved is already addressed on the docket in both the amendment to the license and your letter dated August 7, 2015. Therefore, you are not required to respond to this letter regarding Violations 1 and 2 unless the description therein does not accurately reflect your corrective actions or your position. If you choose to provide additional information, you should follow the instructions specified in the enclosed Notice.

You are required to respond to this letter for Violations 3 and 4, and should follow the instructions specified in the enclosed Notice when preparing your response. Corrective actions for Violations 3 and 4 that will better assure future compliance should be specifically addressed in your response, including items (1) through (4) identified in the paragraph above. If you have additional information that you believe the NRC should consider, you may provide it in your response to the Notice. The NRC will use your response, in part, to determine whether further enforcement action is necessary to ensure compliance with regulatory requirements.

You may request to engage in the NRC Alternative Dispute Resolution (ADR) program within 10 days from the date of the enclosed Notice by phoning the Institute for Conflict Resolution (ICR) at Cornell University at (877) 733-9415. ICR has agreed to facilitate the NRC ADR program as a neutral third party mediator. Please also contact Mr. Hipolito Gonzalez at (301) 415-5637. Your submitted signed agreement to mediate using the NRC ADR program will stay the 30-day time period for payment of the civil penalties and the required written response, as identified in the enclosed notice, until the ADR process is completed. ADR is a general term encompassing various techniques for resolving conflict outside of court using a neutral third party. The technique that the NRC has decided to employ is mediation. In mediation, a neutral mediator with no decision-making authority helps parties clarify issues, explore settlement options, and evaluate how best to advance their respective interests. The mediator's responsibility is to assist the parties in reaching an agreement. However, the mediator has no authority to impose a resolution upon the parties. Mediation is a confidential and voluntary process. If the parties to the ADR process agree to use ADR, they select a mutually agreeable, neutral mediator and share equally the cost of the mediator's services. Additional information concerning the NRC's ADR program can be found at <http://www.internal.nrc.gov/OE/ADR/post-invest-adr-home.html>. Specifically, ICR at Cornell University has agreed to facilitate the NRC's program as an intake neutral. Intake neutrals perform several functions, including: assisting parties in determining ADR potential for their case, advising parties regarding the ADR process, aiding the parties in selecting an appropriate mediator, explaining the extent of confidentiality, and providing other logistic assistance, as necessary.

In accordance with 10 CFR 2.390 a copy of this letter, its enclosure(s), and your response will be made available electronically for public inspection in the NRC Public Document Room or in the NRC's Agencywide Documents Access and Management System (ADAMS), accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>.

The NRC also includes significant enforcement actions on its Web site at <http://www.nrc.gov/reading-rm/doc-collections/enforcement/actions/>.

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Should you have any questions regarding this letter or the enclosed Notice or report, please contact Mr. Hipolito Gonzalez, Branch Chief, Division of Material Safety, State, Tribal, and Rulemaking, Office of Nuclear Material Safety and Safeguards at (301) 415-5637.

Sincerely,

/RA/

Patricia K. Holahan, Director  
Office of Enforcement

Docket: 030-36619

License: 04-23910-01 E

Enclosures:

1. Notice of Violation and Proposed Imposition of Civil Penalty
2. NUREG/BR-0254 Payment Methods (Licensee only)

cc: State of California

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