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March 28, 2017

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Nader Mamish  
Director, Office of International Programs  
U.S. Nuclear Regulatory Commission  
Washington, DC 20555-0001  
and  
Peter Habighorst  
Chief, Export Controls and Nonproliferation Branch  
U.S. Nuclear Regulatory Commission  
Washington, DC 20555-0001

RE: Source Production & Equipment Co., Inc.  
Initial Voluntary Self-Disclosure of Possible Violations  
10 CFR Part 110

Dear Messrs. Mamish and Habighorst:

Please be advised that I represent Source Production & Equipment Co., Inc. (hereinafter SPEC) of St. Rose, Louisiana. The authority for Counsel to appear on behalf of individuals and entities before Federal Agencies is found in Title 5 USC §500. As required by Section 500, I confirm that I am a member in good standing of the Bar of the Commonwealth of Massachusetts and admitted to practice before a number of Federal Courts. The representations made in this filing are made with the full knowledge and authorization of SPEC's Executive Management. In that respect, I have enclosed a letter from R.D. Dicharry, President of SPEC, certifying the accuracy of the representations made in this Submission.

On July 28, 2010, the NRC published a final rule in the Federal Register that amended several provisions of 10 CFR 110. The sealed source exclusion to the definition of "radioactive waste" was revised to confirm that the exclusion only applies to sources of "U.S. origin" being returned to an authorized domestic licensee. The purpose of this letter is to advise your

Offices that as a result of an internal audit of SPEC's import and export shipments, the management of SPEC discovered an apparent violation of the provisions of 10 CFR 110 concerning the importation of sealed disused radioactive source material. SPEC desires to report these matters to the NRC as a Voluntary Self-Disclosure. My client and I believe it advisable to report this matter to the U.S. Nuclear Regulatory Commission (hereinafter NRC) at this early stage and request that the NRC consider this Submission to be an Initial Voluntary Self-Disclosure; granting SPEC an extension of thirty (30) days from your receipt of this correspondence to conclude SPEC's internal audit and complete this Voluntary Self-Disclosure. At that time, SPEC intends to supplement this Initial Voluntary Self-Disclosure with: 1) a more detailed discussion of the circumstances surrounding this matter; 2) documentation relating to the involved importations of sealed disused sources and disposition thereof; 3) an explanation of the corrective actions taken by SPEC in response to management's discovery of the apparent violations; 4) a discussion of the factors to be considered by the NRC in mitigation of the apparent violations disclosed by SPEC.

SPEC's internal investigation, which included the assistance of the undersigned, was prompted by the discovery of activities undertaken by Kevin Schehr, SPEC's former Vice President. Kevin Scherh was the senior operational manager of SPEC and responsible for all of SPEC's day-to-day activities. Mr. Schehr was terminated by SPEC in July, 2016 for cause. Germane to the matters disclosed in this Initial Voluntary Self-Disclosure, it is noted that in 2008, Kevin Schehr received mandated quality assurance refresher training which included review of the NRC's regulations regarding the packaging and transportation of radioactive materials (10 CFR 71). Mr. Schehr also acknowledged in writing the provisions of 10 CFR 71.8 (Deliberate Misconduct).

By way of background, SPEC was established in 1974 and is a leading supplier of radiography equipment and sources. SPEC is licensed by the NRC to export radioactive byproduct and source material. SPEC operates internationally under both General and Specific Licenses. SPEC also holds Radioactive Material License LA-2966-L01, expiration date August 31, 2021, issued by the State of Louisiana which includes the authorization to store radioactive waste and transfer the same for disposal. During the course of its business in international commerce, SPEC has on numerous occasions received from foreign entities sealed disused radioactive source material. SPEC's records indicate that between 2011 and

2017, SPEC exported 444 sealed new sources and imported 444 sealed disused sources. Although the numerical comparison of imports to exports could indicate a “one-for-one” exchange of new sources for disused sources, SPEC believes that is not the case.

On August 28, 2013, the NRC published a Branch Technical Position (BTP) in the Federal Register to provide guidance on the application of the exclusion of United States origin sealed sources to the definition of “radioactive waste” (78 FR 53020). The BTP explained the circumstances that needed to be present in order for importation of a sealed disused source of unknown origin under the General License in 10 CFR 110.27. SPEC reads the BTP as requiring that an Importer undertake a good faith effort to determine the origin of the sealed disused sources intended for importation. SPEC understands that disused sources that originated in a Country other than the United States would require a Specific License unless the sealed disused source was imported for disposal in a Resource Conservation and Recovery Act (RCRA) facility or for the purposes of recycling pursuant to a contract or business agreement.

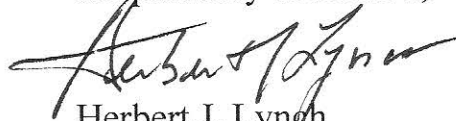
As a result of its internal investigation, SPEC has determined that Mr. Schehr was aware of the BTP’s guidance regarding the origin of imported sealed disused sources. SPEC’s internal investigation has revealed that of the 444 sealed disused sources imported between 2011 and 2017, 183 were of foreign origin. SPEC’s internal investigation has found no evidence that good faith efforts were made to determine the origin of the imported sealed disused sources before the import occurred. The involved sealed disused sources are Iridium-192 (Ir-192), Selenium-75 (Se-75) and Ytterbium-169 (Yb-169). None of the aforementioned non-USA sealed disused sources were imported for disposal in a RCRA facility or for the purposes of recycling pursuant to a contract or business agreement.

I want to emphasize that the health and safety of the public has not been compromised by SPEC’s importation of non-USA origin sealed disused sources. SPEC has not disposed of the sealed disused sources that SPEC has imported; and intends to continue to store the sealed sources, as authorized by the State of Louisiana until decay.

As stated above, SPEC will supplement this Initial Voluntary Self-Disclosure within 30 days of your receipt of this Submission. In the interim, please do not hesitate to contact me should you have questions or comments

regarding this matter. Please be assured of my client and my cooperation in your review of this matter.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Herbert J. Lynch". The signature is written in a cursive, flowing style.

Herbert J. Lynch  
Counsel to Source Production  
and Equipment Co., Inc.

Email: [lynch@S-L.com](mailto:lynch@S-L.com)



March 28, 2017

Nader Mamish  
Director, Office of International Programs  
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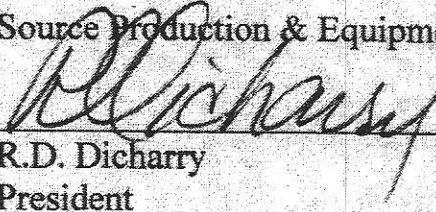
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10 CFR Part 110

Dear Messrs. Mamish and Habighorst:

This letter accompanies the Initial Voluntary Self-Disclosure filed with the U.S. Nuclear Regulatory Commission (NRC) on behalf of Source Production & Equipment Co., Inc. (hereinafter SPEC) by Attorney Herbert J. Lynch. I hereby certify that Attorney Lynch is authorized by SPEC to make the aforementioned Initial Voluntary Self-Disclosure. I further certify that the representations made in connection with the Initial Voluntary Self-Disclosure are true and correct to the best of my knowledge and belief. Please be advised that SPEC is committed to fully cooperating with the NRC in its review of the matters addressed in the Initial Voluntary Self-Disclosure.

Sincerely yours,

Source Production & Equipment Co., Inc.



R.D. Dicharry  
President

Source Production & Equipment Company, Inc.  
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