

DCD

December 15, 1994

EA No. 92-112

Honeywell, Inc.  
ATTN: Jennifer Crawford, Counsel  
Corporate Operations  
P.O. Box 524  
Minneapolis, MN 55440-0524

SUBJECT: NRC INSPECTION REPORT NO. 040-07982/91001(DRSS)  
AND INVESTIGATION REPORT NO. 3-91-003

This refers to the inspection conducted by John R. Madera of this office on February 4, 1991. At the conclusion of the inspection, the findings were discussed with those members of your staff identified in the enclosed report.

Areas examined during the inspection are identified in the report. The inspection consisted of a selective examination of the circumstances surrounding the transfer of an NRC licensed program and interviews with licensee management personnel. The inspection warranted further investigation by the NRC's Office of Investigation and a synopsis of that investigation report is also enclosed.

Based on the results of the investigation, one apparent violation was identified. The apparent violation of 10 CFR 40.46 involves the deliberate failure of the licensee's staff to obtain written consent by the Commission for the transfer of NRC licenses. This apparent violation is now being considered for escalated enforcement action in accordance with the "General Statement of Policy and Procedure for NRC Enforcement Actions" (Enforcement Policy), 10 CFR Part 2, Appendix C.

A transcribed enforcement conference to discuss this apparent violation has been scheduled for January 10, 1995, at 10:30 a.m. (CST) in the Region III office located at 801 Warrenville Road, Lisle, Illinois. Driving directions to the Region III office are enclosed. The purposes of this conference are: to discuss the apparent violation, its cause and safety significance; to provide you the opportunity to point out any errors in our inspection report; and to provide an opportunity for you to present your proposed corrective action(s). In addition, this is an opportunity for you to provide any information concerning your perspectives on (1) the severity of the violation(s), (2) the application of the factors that the NRC considers when it determines the amount of a civil penalty that may be assessed in accordance with Section VI.B.2 of the Enforcement Policy, and (3) any other application of the Enforcement Policy to this case, including the exercise of discretion in accordance with Section VII. You will be advised by separate correspondence of the results of our deliberations on this matter. No response regarding the apparent violation is required at this time.

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Honeywell, Inc.

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In accordance with 10 CFR 2.790 of the NRC's "Rules of Practice," a copy of this letter and its enclosure will be placed in the NRC Public Document Room.

Sincerely,

Original signed by  
John A. Grobe

John A. Grobe, Chief  
Nuclear Materials Inspection  
Section 2

License Nos. SUB-1436, SUB-971,  
22-01870-19, 22-14386-01  
Docket Nos. 040-08830, 040-07982,  
030-18699, 030-20529

- Enclosures:
1. Inspection Report  
No. 040-07982/  
91001(DRSS)
  2. Synopsis of OI Report
  3. Driving Directions

bcc w/o encls: J. Lieberman, OE  
J. Goldberg, OGC  
R. Bernero, NMSS  
PUBLIC - IE07

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DATE	12/ /94	12/14/94	12/15/94	12/17/94

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MAR 04 1991

Honeywell, Inc.  
ATTN: Carl Meier  
Corporate Environmental  
Counsel  
2701 Fourth Avenue South  
Minneapolis, MN 55408

License No. SUB-971  
Docket No. 040-07982

Gentlemen:

This refers to the special inspection conducted by Mr. John R. Madera of this office on February 4, 1991, of circumstances surrounding the transfer of NRC License No. SUB-971 to Alliant Techsystems, Inc. and to the discussion of our findings with you and other Honeywell staff at the conclusion of the inspection. Also present during the inspection was Mr. Bruce Berson, Regional Counsel.

The inspection was initiated in response to a letter we received dated December 19, 1990 from James R. Persoon, Ph.D., Corporate Director, Environmental Management of Alliant Techsystems, Inc. and the subsequent telephone conference held on January 8, 1991 with Mr. Jim Fitzsimmons, formerly of Honeywell, Inc., and members of my staff. The enclosed inspection report identifies the area examined during the inspection. Within this area, the inspection consisted of interviews with you and other Honeywell, Inc. and Alliant Techsystems, Inc. personnel.

During this inspection, certain of your activities appeared to be in violation of NRC requirements. You will be notified by separate correspondence of our decision regarding enforcement action based on the findings of this inspection. A written response is not required at this time.

In accordance with 10 CFR 2.790 of the Commission's regulations, a copy of this letter and the enclosure will be placed in the NRC Public Document Room.

We will gladly discuss any questions you have concerning this inspection.

Sincerely,

John A. Grobe, Chief  
Nuclear Materials Safety Branch

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C PDR

Enclosure: Inspection Report  
No. 040-07982/91001(DRSS)

cc w/enclosure:  
DCD/DCB (RIDS)

bcc w/enclosure:  
D. Funk, RAO

11-130

<i>yes</i> RIII Madera/dsv 3/1/91	<i>Yes</i> RIII McCann 3/1/91	<i>Yes</i> RIII Berson 2/1/91	<i>Yes</i> RIII Pawlik 2/1/91	<i>Yes</i> RIII Pederson 3/1/91	<i>Yes</i> RIII Grobe 3/1/91
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U.S. NUCLEAR REGULATORY COMMISSION

REGION III

Report No. 040-07982/91001(DRSS)

Docket No. 040-07982

License No. SUB-971

Category B

Priority 1

Licensee: Honeywell, Inc.  
5640 Smetana Drive  
Minnetonka, MN 55343

Inspection Conducted: February 4, 1991

Purpose of Inspection: This was an announced inspection conducted to review the circumstances surrounding the transfer of NRC licensed programs.

Inspector: John R. Madera  
John R. Madera  
Senior Licensing Reviewer

3/1/91  
Date

Participant: Bruce Berson  
Bruce Berson  
Regional Counsel

3/1/91  
Date

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Reviewed By: George N. McCann  
George N. McCann, Chief  
Materials Licensing Section

March 1, 1991  
Date

Approved By: John A. Grobe  
John A. Grobe, Chief  
Nuclear Materials Safety  
Branch

3/1/91  
Date

Inspection Summary

Inspection on February 4, 1991 (Report No. 040-07982/91001(DRSS))  
(AMS No. RIII-91-A-007)

Areas Inspected: This was an announced, special inspection conducted at the licensee's Corporate Headquarters located in Minneapolis, Minnesota, to review the circumstances surrounding the transfer of an NRC licensed program. The inspection involved interviews with licensee management personnel.

Results: Circumstances surrounding the NRC license transfer were discussed and one apparent violation of NRC requirements was identified: Licensee transferred control of an NRC license without written consent by the Commission, 10 CFR 40.46.

## DETAILS

### 1. Persons Contacted

- \*Carl Meier, Corporate Environmental Counsel (Honeywell, Inc.)
- \*Warren Simpson, Counsel for Securities and Financial Matters (Honeywell, Inc.)
- \*Edward W. Resnick, Corporate Manager Environmental Assurance (Honeywell, Inc.)
- \*Jim Persoon, Environmental Manager (Alliant Techsystems, Inc.)
- \*Jim Fitzsimmons, Radiation Safety Officer (Alliant Techsystems, Inc.)

\*Indicates those interviewed and present at the Exit meeting conducted on February 4, 1991.

### 2. Licensed Program

Honeywell, Inc. possesses NRC Source Material License No. SUB-971 which authorizes the possession of 750,000 kilograms of depleted uranium metal for research and development, manufacture and analysis of components for ordnance devices (e.g., piercing projectiles), and the distribution of depleted uranium penetrators to individuals specifically licensed to possess such material by the NRC or an Agreement State. The licensee has requested, via license amendment, to discontinue production scale depleted uranium manufacturing operations.

### 3. Purpose of Special Inspection

This special inspection was initiated in response to a letter received by Region III dated December 19, 1990, from James R. Persoon, Ph.D., Corporate Director, Environmental Management of Alliant Techsystems, Inc., and the subsequent telephone conference held on January 8, 1991, with Mr. Jim Fitzsimmons, Radiation Safety Officer of Alliant Techsystems, Inc. and members of the Region III staff. The referenced letter and telephone conference revealed that Honeywell, Inc. transferred NRC License No. SUB-971 with a change in ownership transaction (spin-off) to Alliant Techsystems, Inc., a newly created company, on September 28, 1990 without written NRC consent.

### 4. Inspection Findings

On February 4, 1991, an inspection was conducted at the licensee's Corporate Headquarters to review the circumstances of the previously addressed transaction. Interviews were conducted with all individuals identified in Section 1 of this report. The inspection revealed that Honeywell, Inc. wanted to divest itself from its defense and marine business by trying to sell that division to another company. However, this endeavor failed to produce any viable prospects. Therefore, around the first quarter of 1990, Honeywell, Inc. began its pursuit of a spin-off

with the Securities and Exchange Commission (SEC). The corporate spin-off involved the Honeywell, Inc. Defense and Marine Business Group/Division, approximately 20 percent of Honeywell, Inc., into a separate newly created company known as Alliant Techsystems, Inc.

A preliminary Form 10 was filed with the SEC in mid July 1990, the transaction itself was not approved by SEC until late August 1990, and it was still in question one month before the official completion date of the transaction. The actual transaction date was uncertain until several days before the transfer finally occurred on September 28, 1990. However, the licensee failed to obtain the required written consent from the Commission prior to the transfer which involved an NRC license. The failure of the licensee to obtain written consent by the Commission for the transfer of an NRC license constitutes an apparent violation of 10 CFR 40.46.

5. Licensing Issues

The inspectors answered questions concerning the licensee's amendment request described in letter dated December 19, 1990 (change in ownership and the proposed scale down of their manufacturing operations). Deficiencies with the change in ownership submittal were discussed and the licensee was given a copy of the Guidelines For Materials Licensing Cases Involving Change of Ownership, an attachment to Policy and Guidance Directive FC 86-2, Revision 1, dated June 21, 1989, for review and assistance in responding to the requirement outlined in 10 CFR 40.46.

6. Exit Meeting

An Exit Meeting was conducted with those individuals indicated in Section 1 at the conclusion of the inspection. The apparent violation and the NRC Enforcement Policy were discussed. No information contained in this report was indicated as proprietary by the licensee.

## SYNOPSIS

On February 28, 1991, the Regional Administrator, U.S. Nuclear Regulatory Commission (NRC), Region III, requested that an investigation be initiated into the Honeywell, Inc. (Honeywell), Defense Systems Division, alleged unauthorized transfer of several byproduct, source and or/special nuclear material licenses to Alliant Techsystems, Inc. (Alliant). Alliant, an independent, publicly owned company, was spun-off by Honeywell through a planned divestiture on September 28, 1990.

Since the transfer of NRC licensed activity required prior Commission approval, an investigation was requested to determine if the licensee (Honeywell) and/or former licensee management willfully violated NRC regulations.

This investigation substantiated that certain members of Honeywell management (now Alliant senior corporate management) in deliberate violation of NRC regulations withheld official notification of the transfer to the NRC until well after the corporate divestiture of Honeywell's Defense Systems Division had taken place.



