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55 PUBLIC SQUARE
CLEVELAND, OHIO 44113

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DWIGHT A. MILLER
TIMOTHY B. MILLER

AREA CODE 216
TELEPHONE 771-0011
FAX NO. 771-8048

IN REPLY REFER TO
FILE NO. _____

January 6, 1997

Mr. John Madera
U.S. Nuclear Regulatory Commission
801 Warrenville Road
Lisle, Illinois 60523-4351

RE: Advanced Medical Systems, Inc.

Dear John:

Enclosed please find a copy of the Settlement Agreement dated December 20, 1996 resolving the lawsuits between Advanced Medical Systems and the Northeast Ohio Regional Sewer District.

As you and I discussed in our recent telephone conversation, Advanced Medical Systems believes it would be advisable at the earliest convenience of the USNRC to meet to discuss the progress of the building recovery plan and pending license renewal application. Because of some of the technical problems involved, we would suggest that the meeting be held at the Washington headquarters of the USNRC.

Should you have any questions concerning the settlement agreement, I would urge you to give me a call.

Very truly yours,

Dwight A. Miller
wb

DWIGHT A. MILLER

DAM/wb
Enclosure

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SETTLEMENT AGREEMENT

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WBS

THIS SETTLEMENT AGREEMENT ("Agreement") is entered into this 20th day of December, 1996, by and between the Northeast Ohio Regional Sewer District (the "District") and Advanced Medical Systems, Inc. (aka Advanced Medical Systems, Inc. of Florida) ("AMS"); ATC Group, Inc.; Advanced Technology Corporation; Seymour S. Stein, Ph.D., P.E. & Associates, Inc.; Seymour S. Stein, Individually; ATC Nymold Corporation; Universal Motor Lamp Corporation; and ATC Group (collectively "Defendants").

I. PURPOSE OF THIS AGREEMENT

1. The District and Defendants intend by this Agreement to settle all claims that were asserted against each other, as further described below, in the cases captioned *Northeast Ohio Regional Sewer District v. Advanced Medical Systems, Inc., et al.*, Case No. 1:95 CV 2150, U.S. District Court, Northern District of Ohio, Eastern Division [formerly *Northeast Ohio Regional Sewer District v. Advanced Medical Systems, Inc., et al.*, Case No. 249860, Cuyahoga Court of Common Pleas] ("State Case"), and *Northeast Ohio Regional Sewer District v. Advanced Medical Systems, Inc., et al.*, Case No. 1:94 CV 2555, U.S. District Court, Northern District of Ohio, Eastern Division ("Federal Case") on the terms set forth herein. The above-described State and Federal Cases are herein collectively referred to as the "Cases."

2. This Agreement further provides that Defendants shall pay a sum certain (plus interest) to the District in settlement of the District's claims asserted in the Cases. In addition, this Agreement provides that the District will allow reconnection of AMS' London Road Facility to its sewer interceptor and accept certain discharges in accordance with the conditions and procedures set forth in this Agreement.

II. DEFINITIONS

1. "Day(s)," "week(s)," and "month(s)" shall mean, unless otherwise specified, calendar day(s), week(s), and month(s), respectively.
2. "Defendants" means, for purposes of this Agreement, only AMS; ATC Group, Inc.; Advanced Technology Corporation; Seymour S. Stein, Ph.D., P.E. & Associates, Inc.; Seymour S. Stein, Individually; ATC Nymold Corporation; Universal Motor Lamp Corporation; and ATC Group. This Agreement is not binding upon the following entities and persons, although they were named as defendants in the Complaint in the State Case and/or the Federal Case: Lucille Stein, Individually; AMS International Sales Corp.; ATC Betatron Corp.; ATC Medical Group; Automated Development Corporation; ATC Automated Development Corporation; ATC Medical Technology; Eight Factory Row Company; Geneva Travel, Inc.; ATC Automation Development Corporation; John Doe, Corporations; John Doe, Partnerships; and John Doe, Individuals.
3. "London Road Facility" means the facility currently owned, leased and/or otherwise occupied by AMS located at 1020 London Road, Cleveland, Cuyahoga County, Ohio.
4. "London Road Interceptor" means the District's combined sanitary/storm sewer located in the London Road right-of-way.
5. "Parties" means the District and Defendants.
6. "Premises" means the London Road Facility and all property surrounding, adjacent to, or abutting the London Road Facility which is owned, leased and/or otherwise occupied by AMS.
7. "USNRC" means the United States Nuclear Regulatory Commission.

8. All deadlines regarding payment of monies or provision of notice set forth in this Agreement shall be measured according to the date of receipt by the intended recipient party.

III. CASH PAYMENT BY DEFENDANTS

1. In settlement of the District's claims which have been asserted against Defendants in the Cases, Defendants shall pay One Million Two Hundred Fifty Thousand Dollars (\$1,250,000.00) to the District in accordance with the following terms:

a. Defendants shall pay Two Hundred Fifty Thousand Dollars (\$250,000.00) on or before January 19, 1997. Defendants shall be considered in breach of this Agreement and in default of the settlement payment obligation if this sum is not paid to the District by the deadline established in the previous sentence; and

b. Defendants shall pay the remaining One Million Dollars (\$1,000,000.00), plus interest, in equal payments over 36 consecutive months beginning on March 1, 1997. Interest in the amount of 8% per annum shall accrue on a monthly basis on the entire outstanding balance. The monthly payments are due to be received by the District on the first day of each month. A payment schedule, which assumes timely payment on the first day of each month, is attached as Attachment 1 and is incorporated herein. Defendants shall be considered to be in breach of this Agreement and in default of the settlement payment obligation if a monthly payment is due but not paid by the fifteenth (15th) day of the month. Defendants may prepay all or a portion of the \$1,000,000.00 set forth in this paragraph at any time without penalty.

2. Defendants are jointly and severally obligated to pay the sums set forth in Paragraph III.1.

3. Upon the District's request, Defendants shall make available to the District in a timely manner financial documents which report the monthly cash flow for each of the corporate Defendants. The District agrees to return all such financial documents and all financial documents provided to the District at settlement discussions to Defendants within 30 days of Defendants' full payment of the above settlement amounts.

IV. CONSENT JUDGMENT ENTRY

1. In further settlement of the District's claims which have been asserted against Defendants in the Cases, the Parties agree to file with the U.S. District Court for the Northern District of Ohio the Consent Judgment Entry which is attached hereto as Attachment 2 within two (2) business days of execution of this Agreement.

2. The District reserves all rights to proceed against Defendants pursuant to the Consent Judgment Entry in order to collect the settlement amount, as defined in Paragraph IV.1. above and as set forth in the Consent Judgment Entry, if Defendants default on the settlement payments or otherwise fail to satisfy the conditions set forth in Paragraph III.1. herein or the Consent Judgment Entry.

3. If Defendants default on the settlement payments or otherwise fail to satisfy the conditions set forth in Paragraph III.1. herein or the Consent Judgment Entry, the District reserves the right to discontinue any service being supplied to Defendants by the District.

V. RECONNECTION OF LONDON ROAD FACILITY TO THE DISTRICT'S INTERCEPTOR

1. In settlement of Defendants' claims against the District, the District shall allow reconnection of the London Road Facility to its London Road Interceptor pursuant to the procedures set forth herein, provided the following conditions are first satisfied:

- a. All Cobalt-60, in sealed sources or bulk or loose form, has been removed from the Premises except for Cobalt-60 currently contained in the stuck floor plug of the Hot Cell, and a 1,200 curie calibration source. AMS shall not bring any additional Cobalt-60 into the Facility except for sealed sources necessary for replacing customer sources or installing sources in new machines, notice of which shall be provided to the District;
- b. All radioactive dry solid waste, in sealed sources or bulk or loose form, shall be removed from the basement and first floor. In the event that all such waste is not immediately shipped to a waste disposal facility, any such waste shall be stored in the Hot Cell. AMS shall not in the future place any waste in the basement. However, normal operations will generate small amounts of waste which will be stored in watertight shipping containers in a non-sewered area on the first floor and will be removed in a timely fashion as containers are filled;
- c. The WHUT Room is stabilized pursuant to the draft plan attached hereto as Attachment 3 and incorporated herein by reference, or such superseding plan required by the USNRC. Any such superseding plan shall be provided to the District prior to any stabilization activity. Failure to provide such superseding plan shall be sufficient reason for the District to deny

reconnection. The stabilization process shall include filling the WHUT Room so that the interior of the WHUT Room is impervious to water penetration; and

d. The basement is decontaminated. The basement walls and floors shall be scabbled or otherwise treated so as to remove contaminated surfaces and leave the basement in a condition for unrestricted use, the criteria for which shall be 1,000 dpm/100 cm² for removable beta and gamma activity and 5,000 dpm/100 cm² for fixed plus removable beta and gamma activity. AMS shall decontaminate the basement to this level or some lower level.

2. AMS shall deliver copies of the finalized plans and any revisions thereof for the stabilization of the WHUT Room and for the decontamination of the basement to the District prior to the initiation of applicable site work. Failure to submit finalized plans and revisions thereof prior to initiation of applicable site work shall be sufficient reason for the District to deny reconnection.

3. After the WHUT Room stabilization and basement decontamination projects are completed, AMS shall provide notice of completion to the District and make available to the District and/or its experts any and all radiological survey and/or sampling data made available to the USNRC and an opportunity to inspect and survey the basement, including the entire exterior area of the WHUT Room. It is understood and agreed that such survey and inspection will not involve any invasive activities that would affect the integrity of the basement or WHUT Room stabilization such as drilling or coring.

4. Once the items in Paragraphs V.1. through V.3. set forth above have been completed to the satisfaction of the District and/or its experts applying reasonable

scientific and engineering standards, the District shall allow AMS to reconnect the London Road Facility to the London Road Interceptor. Reconnection shall be in full accordance with the following criteria and requirements:

- a. AMS must provide the District with written notice of Defendants' intention to reconnect no less than thirty (30) days prior to the anticipated reconnection date;
- b. AMS shall have detailed plans and specifications prepared by a qualified consultant. Final drawings must be stamped by a registered professional engineer in the State of Ohio. Those plans and specifications must be submitted to the District. The District must approve such plans and specifications before any excavation or construction activity related to reconnection commences. The District shall not unreasonably withhold approval of such plans and specifications; however, failure to submit complete plans and specifications prior to commencement of any such excavation and construction activity shall be sufficient reason for the District to deny reconnection;
- c. AMS shall provide the District with 72 hours advance notice of any work being performed on the London Road Interceptor, and shall give the District the opportunity to observe the connection. If the District observes that the contractor is not complying with the approved plans and specifications or is not observing applicable Occupational Safety and Health Act regulations, the District may order the work to cease and AMS shall comply with such order. Failure to comply with any such order to cease shall be sufficient reason for the District to deny reconnection;

- d. AMS shall allow District personnel and/or its experts to be present on-site during any construction activity related to reconnection;
- e. The footer drains and all sanitary lines inside and outside the building shall be tested to insure to the District's satisfaction that they are clean and free of Cobalt-60 prior to being connected to the lateral connection to the Interceptor. "Clean and free of Cobalt-60" shall mean, based on the District's testing, the concentration of soluble Cobalt-60 is 100 picocuries/liter or less and no insoluble Cobalt-60 is detected. Any reading of insoluble Cobalt-60 of 8 picocuries/liter or less will be deemed to satisfy the latter requirement;
- f. AMS shall construct three (3) manholes as follows:
 - i. A 48-inch precast concrete ("PC") standard drop manhole at the connection point of the footer drains and sanitary lines to the new lateral connection, including 48 inch PC riser sections, a PC flat lid top or eccentric cone top, frame and cover and 6 vertical feet of 15 inch PVC pipe drop with a clean out tee;
 - ii. A sampling manhole, including a 6' x 6' x 4' PC vault base, a PC flat transition slab, 60-inch diameter PC risers, PC flat lid top, frame and cover, located in the treelawn of the Premises that can be utilized for purposes of sampling by the District with access to said sampling manhole being available only to the District; and
 - iii. A standard manhole located in London Road constructed on a cast-in-place base that surrounds the London Road Interceptor, including a PC flat transition, 48-inch PC risers, a PC flat lid top, frame and cover. Despite the provisions of this paragraph, V.4.f.iii.,

AMS will be permitted to submit plans utilizing the present manhole located in London Road, provide that such plans include decontamination of the London Road Interceptor, at AMS' cost, prior to such utilization. The District will review said plans applying reasonable scientific and engineering standards in order to determine whether or not AMS' plans to connect the London Road Facility to the London Road Interceptor by utilizing the present manhole in the London Road Interceptor are acceptable. If the District determines that AMS' plans to utilize the present manhole are satisfactory to the District, then this paragraph, V.4.f.iii., and the last sentence of Paragraph V.4.g. shall not apply and AMS will be allowed to reconnect utilizing the present London road manhole.

g. The footer drains shall be connected to the standard drop manhole with 18 feet of 4-inch PVC pipe and shall include means to filter out particulate matter. The drop manhole shall be connected to the sampling manhole by 18 lineal feet of ductile iron or PVC pipe which shall be installed at a slope of no more than 2%. The sampling manhole shall be connected to the standard manhole in London Road by 18 lineal feet of PVC pipe which shall be installed at a slope of no more than 2%. A cast-in-place vault shall be built around the Interceptor and connected thereto. Once the vault is constructed, the Interceptor shall be removed within the vault;

h. A grit interceptor and/or debris trap shall be constructed between the footer drains and the connection from the building sanitary lines, and include access for clean-out and sampling;

- i. AMS shall comply with all the terms and conditions contained in the District's *Code of Regulations*, including, but not limited to, providing the District 24-hour access to the entire London Road Facility with the exception of the interior of the Hot Cell, the WHUT Room, and the Ventilation System Room, within a maximum ten (10) minute notice or within a reasonable time when the building is not otherwise occupied, in which case access for District personnel shall be contemporaneous with AMS access. AMS shall ensure all equipment is calibrated and in good working order so that District investigators will not be delayed;
 - j. AMS shall be responsible for all permitting;
 - k. AMS shall be responsible for all excavation including all necessary sheeting and bracing, utilizing premium and regular backfill, full depth pavement restoration, sidewalk and curb replacement and other necessary site restoration; and
 - l. AMS must agree not to discharge any Cobalt-60 into the sanitary sewer system, directly or indirectly.
5. The District shall not unreasonably withhold any approval required in Section V.

VI. DISCHARGE OF BLADDER WATER

1. In settlement of Defendants' claims against the District, the District shall allow AMS to discharge the approximately 100,000 gallons of water stored in four (4) collapsible bladders located in the warehouse of the London Road Facility to a discharge point specified by District personnel at the time of such discharge, provided that the following conditions are first satisfied:

- a. All processing, sampling and analytical data regarding said bladder water is provided to the District;
- b. The District is permitted to sample, test, and retest the water in the bladders in any manner determined appropriate by the District, with analytical costs to be borne by AMS. However, the District agrees to use no more testing than is reasonably necessary from an engineering and scientific standpoint;
- c. Based upon the District's testing, no insoluble Cobalt-60 is detected; any reading of insoluble Cobalt-60 of 8 picocuries/liter or less will be deemed to satisfy this requirement;
- d. Based upon the District's testing, the concentration of soluble Cobalt-60 is 100 picocuries/liter or less;
- e. If the initial sampling does not meet the criteria set forth in Paragraphs VI.1.c. and VI.1.d. above, AMS may pretreat the bladder water to reach the required concentration levels. Such pretreatment may include without limitation blending. In the event that blending of the bladder water is required, AMS shall provide the District written notice five (5) days prior to any discharge of such bladder water and provide the District an opportunity to observe all aspects of such mixing and to sample and test the mixed water in any manner deemed appropriate by the District prior to the discharge; and
- f. The discharge would otherwise not violate any condition, requirement, or rule of the District's *Code of Regulations* and any other applicable law or regulation, including without limitation the District's prohibition on wet weather discharges.

2. No more than 6,000 gallons of bladder water shall be discharged in any 24-hour period.

3. Obtain a temporary discharge permit as per Section 1.0926 of the District's *Sewer Use Code* and pay any sewer charges applicable thereto.

VII. INTERIM DISCHARGE OF FOOTER DRAIN WATER

1. Unless and until the 1020 London Road Facility is reconnected to the London Road Interceptor, any and all discharges of water from the footer drain systems can be discharged in accordance with the following procedure: AMS will place an in-line two micron filter on the discharge line from the manhole in front of the building to a 3,000 gallon tank. All water from the sewer will be pumped into the 3,000 gallon tank and will discharge from the top of the tank. At any time during normal business hours, representatives of the District may sample the water in the 3,000 gallon tank. As long as there is no soluble cobalt reading greater than 100 picocuries/liter and no insoluble cobalt per the criteria set forth in Paragraph VI.1.c. hereof, the sewer discharge will be allowed to flow continuously from the top of said tank. In the event that either of the criteria set forth herein is not met, AMS will return to all the procedures set forth in paragraphs 2.b, 3 and 4 of the Amended Order filed in *Northeast Ohio Regional Sewer District v. Advanced Medical Systems, Inc.*, Case No. 1:94 CV 2555, U.S. District Court, Northern District of Ohio, Eastern Division, attached hereto as Attachment 4 and incorporated herein.

VIII. DISMISSAL AND RELEASE OF CLAIMS

1. Defendants agree to dismiss with prejudice their counterclaims against the District asserted in the Cases, and to release and discharge the District from any

claims which they could have asserted against the District in the same or other case(s).

2. The District agrees to dismiss with prejudice its claims raised in the Cases against the Defendants Lucille Stein, Individually; AMS International Sales Corp.; ATC Betatron Corp.; ATC Medical Group; Automated Development Corporation; ATC Automated Development Corporation; ATC Medical Technology; Eight Factory Row Company; Geneva Travel, Inc.; ATC Automation Development Corporation; John Doe, Corporations; John Doe, Partnerships; and John Doe, Individuals.

3. To effectuate the dismissal of such claims, the Parties agree to file with the United States District Court for the Northern District of Ohio the Stipulation of Dismissal attached hereto as Attachment 5 within two (2) business days of execution of this Agreement.

IX. TRANSFER OF ASSETS BY DEFENDANTS

Defendants shall not transfer any asset(s) or any item of value to any other person or entity which is in any way affiliated with Defendants without the express, prior approval of the District, except in the normal course of business as established by the business practices of Defendants and such person or entity over the last five (5) years, and in an arms-length transaction. Except for payments of rent, utilities, accounting services, consulting services or salary which are generally in accord with past usage with respect to amounts and frequency, Defendants agree to provide the District with sufficient notice and access to Defendants' business records to allow the District to determine whether any transfer contemplated constitutes a transfer in the normal course of business. With respect to rent, consulting services, and salary, AMS shall provide the District access to records sufficient

for the District to determine past usage and to confirm that transfers made have constituted transfers in the normal course of business.

X. THE DISTRICT'S RESERVATIONS OF RIGHTS

Nothing in this Agreement or the attachments hereto shall be construed, relied on, or interpreted as a waiver by the District of its rights or authority to terminate, regulate or otherwise refuse any discharge of water from the London Road Facility not governed by this Agreement which violates or would violate the District's *Code of Regulations*.

XI. CHOICE OF LAW

The Parties agree that this Agreement will be interpreted according to the laws of Ohio, including, without limitation, Ohio's choice of law rules.

XII. RIGHTS OF THIRD PARTIES AND ASSIGNS

This Agreement does not create any right whatsoever in any person not a party hereto. Further, this Agreement can only be assigned with the prior written consent of the other Parties.

XIII. EVIDENTIAL EFFECT OF AGREEMENT

This Agreement is for the purpose of settling disputes between the Parties, does not constitute an admission of any Party and is inadmissible as evidence in any proceeding, except a proceeding to enforce the terms hereof or a proceeding to resolve a dispute regarding this Agreement.

XIV. SUCCESSORS AND ASSIGNS

This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and, if permitted under Section XII, assignees.

XV. ENTIRE AGREEMENT

This Agreement contains the entire agreement between and among the Parties with respect to the subject matter of this Agreement and supersedes all negotiations, prior discussions, agreements, arrangements and understandings, written or oral, relating to the subject matter of this Agreement.

XVI. HEADINGS

The headings, subheadings and captions in this Agreement and in any exhibit, or schedule hereto are for reference purposes only and are not intended to and shall not be deemed to constitute part of this Agreement or to affect the construction hereof.

XVII. ATTACHMENTS AND APPENDICES

The attachments and schedules attached hereto are part of this Agreement as if set forth fully herein.

XVIII. COUNTERPARTS

This Agreement may be executed in one or more counterparts, each of which will be deemed an original, and all of which together shall constitute one and the same document.

XIX. MODIFICATION AND WAIVER

No amendment, modification or alteration of the terms or provisions of this Agreement shall be binding unless the same shall be in writing and duly executed by all of the parties hereto, except that any of the terms or provisions of this Agreement may be waived in writing at any time by the party which is entitled to the benefits of such waived terms or provisions. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provision hereof (whether or not similar). No delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

XX. NOTICES

Any notice, request, instruction or other document to be given hereunder by any party hereto to any other party shall be in writing and shall be given (and will be deemed to have been duly given upon receipt) by delivery in person, by electronic facsimile transmission, cable, telegram, telex or other standard forms of written telecommunications, by overnight courier or by registered or certified mail, postage prepaid,

if to the District to:

Northeast Ohio Regional Sewer District
3826 Euclid Avenue
Cleveland, Ohio 44115
Attention: General Counsel
Telecopy: (216) 881-4407

if to AMS to:

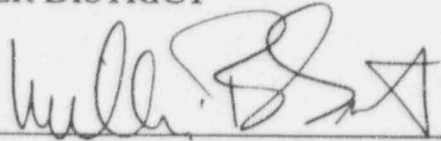
Advanced Medical Systems, Inc.
121 North Eagle Street
Geneva, Ohio 44041
Attention: Seymour S. Stein

XXI. TERMINATION

This Agreement, other than Defendants' obligation to comply at all times with the District's *Code of Regulations*, shall terminate upon the earlier of (1) full satisfaction of Defendants' obligations under Section III and Plaintiff's obligations under Sections V and VI, or (2) five (5) years from the date of execution of this Agreement.

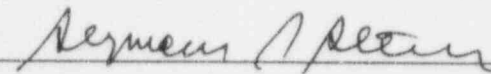
IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf as of the date first above written.

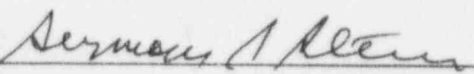
NORTHEAST OHIO REGIONAL
SEWER DISTRICT

By: 

ADVANCED MEDICAL SYSTEMS, INC.

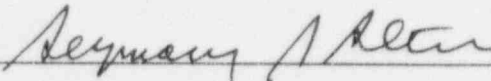
ATC GROUP, INC.

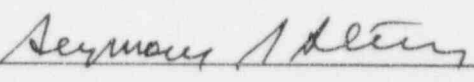
By: 

By: 

ADVANCED TECHNOLOGY
CORPORATION

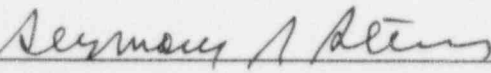
SEYMOUR S. STEIN, Ph.D., P.E.
& ASSOCIATES, INC.

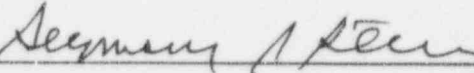
By: 

By: 

SEYMOUR S. STEIN, INDIVIDUALLY

ATC NYMOLD CORPORATION



By: 

UNIVERSAL MOTOR LAMP
CORPORATION

By: 