

U.S. NRC

August 15, 1991

AUG 26 AM 9:45

File
2-90-014

Steven G. McKnight
Assistant U.S. Attorney
Eastern District of Tennessee
359 U.S. Post Office and Courthouse
Chattanooga, Tennessee 37402

OFFICE OF INVESTIGATION
HEADQUARTERS

Dear Mr. McKnight:

This letter will confirm a conversation you had on August 7, 1991, with NRC Office of Investigations (OI) Investigators Gary H. Claxton and Len Williamson. At that time you indicated you were considering criminal prosecution of Eugene P. (Pete) Tolbert. Tolbert, Vice President of Spectronics, Inc., allegedly supplied a fraudulent certificate of compliance in conjunction with the sale of three motor driven relays to the Tennessee Valley Authority. This matter was investigated by OI under Case No. 2-90-014 entitled, "Stokley Enterprises/Spectronics, Possible Counterfeit Relays Supplied by Vendor."

You were advised that OI was in possession of two of the relays but that the third relay was in operation in a nonsafety-related system at the Sequoyah Nuclear Plant (SNP), Spring City, Tennessee. It is our understanding that SNP personnel should be contacted in order to determine when the third relay can be removed from service. We will begin efforts to obtain this information with the understanding that the relay will not actually be removed from service unless and until a decision is made by your office to proceed with prosecution.

If you should have any further questions regarding this matter, please contact Investigator Claxton, OI, Region II, telephone FTS 841-6502 or commercial (404) 331-6502.

Sincerely,

James Y. Vorse, Director
Office of Investigations
Field Office, Region II

cc: Mary C. Spearing, Chief
General Litigation & Legal Advice Section
Criminal Division
U.S. Department of Justice
P.O. Box 887
Ben Franklin Station
Washington, DC 20044-0887

B/S

Distribution:
s/f (2-90-014)
c/f

BCC: B. Letts, OI:HQ

GHClaxton:pat:8/14/91:disk - 90014:doc name - McKnight
Final 8/16/91

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91/08/19

MEMORANDUM TO CASE FILE

2-90-014

October 4, 1991

Telephone call from Special Agent David Compton, NIS
(801) 444-4812

COMPTON called and provided the following information regarding the sentencing of William STOKLEY and the Stokley Corporation.

STOKLEY was ordered to serve 24 months in the federal penitentiary and pay \$350,000 restitution as well as a \$7,500 fine. The Stokley Corporation was ordered to pay \$2,500,000 in restitution and a \$30,000 fine. COMPTON said whatever restitution was personally paid by STOKLEY would reduce the amount owed by the corporation by a like amount.

COMPTON said he would provide a copy of the court order as soon as it became available to him.

Inv. Gary H. Claxton

Action required: Forward copy of court order to Kamal NAIDU, Vendor Branch, upon receipt from COMPTON

B/KB

THE VIRGINIAN-PILOT AND THE LEDGER-STAR SATURDAY, OCTOBER 5, 1991 D3

Navy supplier gets prison, fine for bogus-parts sales

Nuclear subs could have been affected

By Joseph Conco
Staff writer

NORFOLK — Stokley Enterprises Inc. President William M. Stokley is going to prison and his business will have to pay \$2.5 million for selling counterfeit parts to the Navy for a nuclear submarine and other vessels.

U.S. District Judge Richard B. Kellam on Friday sentenced Stokley to two years, with no parole, and ordered his Norfolk-based company to make the restitution payment and to pay a fine of \$50,000.

The judge ordered the 39-year-old Stokley to personally contribute \$350,000 toward the \$2.5 million payment. He also fined Stokley \$7,500.

Special Assistant U.S. Attorney Kevin M. Comstock said that since 1985 the company sold the Navy more than \$2.5 million in reworked used parts with counterfeit name-brand labels. In most cases, Stokley represented the parts as new, the prosecutor said.

The government said it has found no cases in which the counterfeit parts failed while in operation.

However, Comstock said investigators seized defective circuit breakers destined for the reactor-coolant pumps on the nuclear-powered attack sub Baltimore and defective motor-driven relays des-

tined for the Shearon Harris nuclear power plant in New Hill, N.C.

"I thank God that agents of the Naval Investigative Service found these parts," Comstock said.

Stokley Enterprises, near Southern Shopping Center in Norfolk, does not look like a big operation. But it developed a lucrative business, selling circuit breakers, transformers and other electrical parts to the Navy, its shipbuilders and commercial nuclear power plants.

The successful run is now over.

"I think it sends a message to others who might be engaged in the same activities," prosecutor Comstock said. He said other area companies are being investigated for selling counterfeit parts to the military, but declined to elaborate.

Comstock had asked for a prison term of nearly four years, fines of \$1.5 million to \$5 million and restitution of more than \$3 million. The Stokleys have a joint bank account of \$700,000 and Janet Stokley has a separate account of \$300,000, Comstock said.

Stokley, a former electrician with Newport News Shipbuilding, pleaded guilty to one count of conspiracy in July. His company pleaded guilty to one count of conspiracy and two counts of selling counterfeit parts.

As part of the plea agreement, the government agreed to drop all charges against Janet Stokley, 35, the company's secretary and treasurer.

Defense attorney Wayne Lustig argued that the actual amount earned from counterfeit goods was between \$70,000 and \$120,000.

William Stokley will remain free on bail until he voluntarily reports to prison Oct. 26.

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REACH OUT AND FAX SOMEONE

NAVAL INVESTIGATIVE SERVICE REGIONAL FRAUD UNIT MID-ATLANTIC

DATE: 10/17/91 NUMBER OF PAGES: 2 (including cover sheet)

PRESIDENCE: IMMEDIATE () PRIORITY () ROUTINE (X)

TO: SA Gary C. Laxton (Arl., GA)
SA Barry Lotts (Rockville, MD)

OFFICE/CODE: NRC

FAX NUMBER: (404) 331-4444
(301) 492-0259

ATVN: _____

FROM: SA David Compton

OFFICE/CODE: OSFM

FAX NUMBER: (804) 443-6709

ATVN: 565-6709

REMARKS: local Tidewater, VA newspaper article

B185

file
2-90-014

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Defense attorney Wayne Laustig argued that the actual amount earned from counterfeit goods was between \$70,000 and \$120,000.

William Stokley will remain free on bail until he voluntarily reports to prison Oct. 28.

Mr Taylor

STOKLEY SENTENCING

10/4/91

STOKLEY (PERSONAL)

24 MONTHS IN JAIL (NO PAROLE)

RESTITUTION \$350,000

FINE \$7,500

STOKLEY, INC. (CORPORATION)

2.5 MILLION RESTITUTION

\$30,000 FINE

Roger Fortuna
#23481

U.S. NRC

UNITED STATES
NUCLEAR REGULATORY COMMISSION
OFFICE OF NUCLEAR REACTOR REGULATION
WASHINGTON, D.C. 20555

November 27, 1991

✓ DD: ✓
Policy: ✓
Opns: ✓
OI: RI ✓
OI: RII ✓
OI: RIII ✓
✓ OI: RIV ✓
OI: RV ✓
Support: ✓
FOIA: ✓

FILE: #2-90-0M

NRC INFORMATION NOTICE 90-57 SUPPLEMENT 1: SUBSTANDARD, REFURBISHED POTTER & BRUMFIELD RELAYS REPRESENTED AS NEW

Addressees

All holders of operating licenses or construction permits for nuclear power reactors.

Purpose

The U.S. Nuclear Regulatory Commission (NRC) is issuing this information notice (IN) supplement to inform addressees of the final disposition of a case of wrongdoing that the NRC referred to the Naval Investigative Service (NIS) and the Department of Justice. This supplement is also intended to remind addressees and their suppliers, as well as their individual employees, that they can be subject to criminal prosecution and penalties if they intentionally violate NRC regulatory requirements or other Federal criminal laws. It is expected that recipients will review the information for applicability to their facilities and consider actions, as appropriate, to avoid similar problems. However, suggestions contained in this information notice supplement are not NRC requirements; therefore no specific action or written response is required.

Description of Circumstances

In NRC IN 90-57, the staff alerted addressees that Stokley Enterprises, Incorporated (Stokley Enterprises), of Norfolk, Virginia, modified and/or refurbished 22 rotary, non-latching MDR-type Potter & Brumfield (P&B) relays and supplied them to the Shearon Harris Nuclear Power Plant. P&B, Princeton, Indiana, originally manufactured these relays. In addition, the NRC determined that Stokley Enterprises also provided similar relays to the U.S. Department of Defense (DOD) for use on nuclear powered submarines and notified the NIS. The NRC and the NIS conducted additional investigations of Mr. William M. Stokley and Stokley Enterprises and provided the results to the U.S. Department of Justice for appropriate action.

The U.S. Attorney for the Eastern District of Virginia, based on the results of the investigations conducted by the NRC and NIS, charged Mr. William M. Stokley, President of Stokley Enterprises, with selling counterfeit electronic parts to DOD and the Shearon Harris Nuclear Power Plant. The indictment charged that, from about August 1985 to September 13, 1990, under the direction of Mr. William M. Stokley, employees of Stokley Enterprises built or assembled some of the parts with surplus electrical or used components, painting and cleaning some products to make them appear new. Mr. Stokley directed his employees to attach counterfeit nameplates to each part as it was completed to

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make the parts appear to be from established and recognized companies such as Cutler and Hammer, General Electric Company, or the Westinghouse Electric Company. All the established companies, except Potter & Brumfield, had properly registered their trademarks for these products on the principal register of the U.S. Patent and Trademark Office in Washington, D.C. The counterfeit nameplates used by Stokley Enterprises contained marks that were identical with or substantially indistinguishable from the genuine trademarks that had been registered in the U.S. Patent and Trademark Office.

On July 24, 1991, William Stokley pled guilty to one count of conspiracy to traffic in counterfeit goods and Stokley Enterprises, Inc. pled guilty to one count of conspiracy to traffic in counterfeit goods and two counts of trafficking in counterfeit goods.

By a judgement dated October 4, 1991, Mr. Stokley was sentenced to two years in prison, and upon release from prison, he is to be on supervised release for a term of three years. Mr. Stokley was sentenced to pay a fine of \$7,500 and ordered to make restitution to the U.S. Government in the sum of \$350,000. His company, Stokley Enterprises, Incorporated, was sentenced to pay a fine of \$30,000 (\$10,000 for each count) and ordered to pay restitution in the sum of \$2,501,000, less the sum of restitution contributed by Mr. Stokley himself.

Discussion

All persons involved in NRC-regulated activities (including suppliers and vendors) have a responsibility to comply with applicable NRC regulatory requirements and Federal law. The NRC expects and demands compliance and will seek criminal prosecution of wrongdoing in cases of intentional or willful violations of these requirements. As evidenced by the case described in this information notice supplement, criminal sanctions may include a fine and/or imprisonment.

Addressees may wish to distribute copies of this information notice supplement to their employees and suppliers.

This information notice supplement requires no specific action or written response. If you have any questions about the information in this supplement, please contact the technical contact listed below or the appropriate Office of Nuclear Reactor Regulation (NRR) project manager.


Charles E. Rossi, Director

Division of Operational Events Assessment
Office of Nuclear Reactor Regulation

Technical contact: Kamal R. Naidu, NRR
(301) 492-0980

Attachment: List of Recently Issued NRC Information Notices

LIST OF RECENTLY ISSUED
NRC INFORMATION NOTICES

Information Notice No.	Subject	Date of Issuance	Issued to
91-77	Shift Staffing at Nuclear Power Plants	11/26/91	All holders of OLs or CPs for nuclear power reactors.
91-76	10 CFR Parts 21 and 50.55(e) Final Rules	11/26/91	All holders of OLs or CPs and vendors for nuclear power reactors.
91-75	Static Head Corrections Mistakenly not Included in Pressure Transmitter Calibration Procedures	11/25/91	All holders of OLs or CPs for nuclear power reactors.
91-74	Changes in Pressurizer Safety Valve Setpoints Before Installation	11/25/91	All holders of OLs or CPs for nuclear power reactors.
91-73	Loss of Shutdown Cooling During Disassembly of High Pressure Safety Injection System Check Valve	11/21/91	All holders of OLs or CPs for nuclear power reactors.
91-72	Issuance of a Revision to the EPA Manual of Protec- tive Action Guides and Protective Actions for Nuclear Incidents	11/19/91	All holders of OLs or CPs for nuclear power reactors.
91-71	Training and Supervision of Individuals Supervised by an Authorized User	11/12/91	All NRC medical licensees.
91-70	Improper Installation of Instrumentation Modules	11/4/91	All holders of OLs or CPs for nuclear power reactors.
91-69	Errors in Main Steam Line Break Analyses for Deter- mining Containment Parameters	11/1/91	All holders of OLs or CPs for pressurized-water reactors.

OL = Operating License
CP = Construction Permit

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555

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