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AAR CARGO SYSTEMS

a division of AAR Manufacturing Group, Inc.

January 28, 2003

Mr. R. Howard Smith
Vice President Quality
NAC International
Atlanta Corporate Headquarters
3930 East Jones Bridge Road
Norcross, GA 30093

Dear Mr. Smith:

Thank you for your letter of January 15, 2003 regarding the outcome of your independent test for our Boral product. AAR is also pleased that your test results have confirmed that Boral™ fulfills all functional requirements of your dry storage systems.

AAR is somewhat confused regarding the conclusionary statements in your letter. While AAR was requested and did provide some sample Boral panels for your test, we were not consulted or included in your test development criteria as well as the final results.

For over thirty-five years, AAR has provided Boral for both fuel storage and transport applications. Our Boral composites have invariably performed their intended function, which is neutron attenuation. The conclusions of your test program as we understand the results noted in your letter do not describe any specific defects in materials, anomalies, or limitations with respect to performance of Boral. Localized delamination of the aluminum sheathing, which you refer to as blistering in your letter, has no effect on the performance of Boral, which should not be used as a structural material.

AAR needs to review your test data, procedures, and results as without this information, we have no basis to believe a safety hazard exists and, therefore, question your reference to NRC Regulations 10CFR21.

AAR understands all the protocols regarding 10CFR21 and as a material supplier to the Nuclear Industry, we maintain a Quality Assurance Program in accordance with 10CFR50, App B, and NQA 1 and 10CFR21.

As you are aware, AAR currently has a test program underway to evaluate the application of Boral in certain transportation applications. Representatives from NAC have participated in the initial phases of this program and you are invited to again participate in each aspect of our test program and test results.

Summary Your letter fails to articulate any performance deficiencies in Boral and AAR continues to believe that Boral will render its intended function in either the storage or transportation application in a properly designed system. AAR would further like to be favored with a copy of your independent test and the results, as we cannot be guided by the information provided.

Again, we thank you for advising AAR of Boral's demonstrated performance and acceptance for your NAC-UMS and MPG storage and transportation systems.

Sincerely,

Pete Compton
Vice President General Manager



Copy: Wayne Hodges, USNRC

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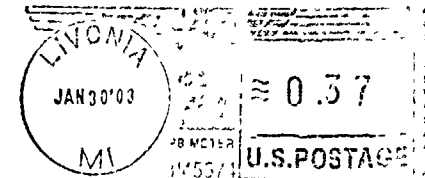
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