

March 31, 2004

David Mathews
Director
United States Nuclear Regulatory Commission
Office of Nuclear Reactor Regulation
Mail Stop: 012-E5
Washington, D.C. 20555-0001

Marvin Mendonca
Senior Project Manager
Operational Experience and Non-Power Reactors Branch
Division of Regulatory Improvement Programs
Office of Nuclear Reactor Regulation
United States Nuclear Regulatory Commission
Washington, D.C. 20555-0001

**Re: Divestiture Plan Regarding Indirect Transfer of the Aerotest Radiography and
Research Reactor (ARRR)**

Gentlemen:

Pursuant to your letter of February 20, 2004, the following is an update of progress on the divestiture plan relating to Aerotest. As a preliminary matter, I would like to report that Aerotest continues to meet the provisions of the negation plan proposed in my letter of January 29, 2004.

Throughout the period of time since January 29, 2004, OEA has continued discussions and negotiations for the sale of the Aerotest business operation with two potential buyers. While we were hopeful that those negotiations could result in a sale of the business, we have been unable to structure an acceptable transaction with either party. Although the lines of communication remain open with each of the parties, we have in each case, ceased our active negotiations.

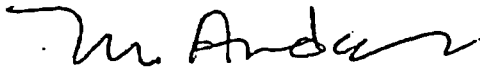
Late in 2003, a discussion was initiated with executives of a corporate customer of Aerotest. Although those discussions were very preliminary, it was indicated that an internal review would be undertaken to determine interest in a possible transaction. We have heard nothing more since that time and no negotiations have taken place.

In January 2004, discussion with another customer concerning a possible sale of the Aerotest business led to another expression of interest in conducting a preliminary evaluation of a possible transaction. We are waiting for the entity to complete their internal review, and no substantive discussions or negotiations have taken place.

We will continue to comply with the negation plan contained in my January 29, 2004 letter, and to report to you at 60 day intervals concerning progress on our divestiture plan.

I would be happy to answer any questions you may have about the foregoing. Please feel free to contact me at your convenience.

Very truly yours,

A handwritten signature in black ink, appearing to read "M. Anderson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael S. Anderson
Vice President for Legal Affairs
and General Counsel

cc: R. Tsukimura