

June 4, 2004

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Via Facsimile (301-415-2279)

Re: Divestiture Plan Regarding Indirect Transfer of the Aerotest Radiography and  
Research Reactor (ARRR), Docket No. 50-228 License No. R-98

Dear Gentlemen:

Pursuant to our earlier correspondence and discussions, the following is a report of Aerotest's activities in support of its divestiture plan. 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.

While discussions continue with one of the potential individual buyers referred to my earlier correspondence (most recently, in late May), negotiations have yielded no proposals that meet the business needs of the parties. As such, we believe that the chances of completing a transaction with either of these individuals to be remote.

In my March 31 report to you, I also reported on the interest in the business expressed by each of two customers of Aerotest. While we have received nothing from either entity to indicate that the level of interest has changed, we also have not engaged in discussions of the substantive terms of a possible sale with either. We attribute the slow progress to business and economic factors and not to a lack of interest in a transaction. In addition to the above, we continue to attempt to identify and approach other parties we feel could have an interest in the Aerotest business.

Aerotest continues to successfully compete for new contracts. Its first quarter sales grew by approximately 20% over the same period last year. Currently, approximately 80% of its sales are related to government contracts (i.e., sales of service to government contractors).

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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 question 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", with a long horizontal flourish extending to the right.

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

cc: R. Tsukimura