

July 29, 2004

David Mathews  
Director  
Mail Stop: 012-E5  
United States Nuclear Regulatory Commission  
Office of Nuclear Reactor Regulation

Washington, D.C. 20555-0001

Marvin Mendonca  
Senior Project Manager  
Mail Stop 012-G13  
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

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

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. All directors of Aerotest Operations, Inc., its parent company and the parent of its parent company continue to be U.S. citizens. No non-U.S. director of any company in the Autoliv family of companies has taken any role, no matter how minor, in the operations of Aerotest.

I have earlier reported to you on the interest in the business expressed by each of two customers of Aerotest. Our most recent inquiry (within the last 30 days) indicates that, although they still desire to evaluate the purchase of the facility, one party has been delayed by activities related to another acquisition. The other possible buyer had concerns about a potential liability, which we have now clarified for them. They have indicated to us that they will resume their effort to evaluate a possible 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. Given the nature of the facility, however, we have found the universe of potentially interested parties to be very small.

The Aerotest business continued to grow. In recent months, increased testing volumes for a defense contractor have had a significant positive impact on revenue, which we

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

Phone: (248) 475-0442  
Fax: (248) 475-9296

American Technical Center  
1320 Pacific Drive  
Auburn Hills, MI 48326

Phone: (248) 475-8000

believe will carry over into the next quarter. Currently, approximately 80% of Aerotest's testing services are related to government contracts (i.e., sales of services to government contractors).

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,



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

cc: R. Tsukimura