

AEROTEST OPERATIONS, INC.

3455 FOSTORIA WAY • SAN RAMON, CA 94583 • (925) 866-1212 • FAX (925) 866-1716

October 13, 2010

Document Control Desk
U.S. Nuclear Regulatory Commission
11555 Rockville Pike
Rockville MD 20852

Tim McGinty, Director
Division of Policy and Rulemaking
Office of Nuclear Reactor Regulation
Mail Stop O12E1
11555 Rockville Pike
Rockville MD 20852

RE: NRC-2010-0178; Docket No. 50-228; License No. R-98

Report of Progress Made Toward Completion of the License Transfer

By notice published in the Federal Register dated September 17, 2010, the U.S. Nuclear Regulatory Commission determined that good cause had been shown to extend the effectiveness of the Order of July 6, 2010 (the "Order") and therefore ordered the extension of the Order until October 15, 2010, subject to certain conditions. One such condition requires weekly submission to the NRC Director, Division of Policy and Rulemaking, of a written report of the progress made toward the commercial transfer of the neutron radiography testing facility owned by Aerotest Operations, Inc. ("the Licensee") to X-Ray Industries, Inc. ("XRI"). The following is the report of the Licensee as of the date indicated above.

As of September 10, 2010, Licensee and the U.S. Department of Energy (the "DOE") executed an amendment to the Contract for the Aerotest facility. On September 13, 2010, Autoliv ASP, Inc., and XRI executed a stock purchase agreement that would transfer all outstanding shares of stock of Licensee to XRI at the closing of the transaction. The stock purchase agreement provides for the closing of the transaction to take place on October 15, 2010. Closing of the transaction is contingent on the U.S. Department of Defense (the "DOD") lawfully committing to the Licensee, in such form and with such substance as is reasonably acceptable to XRI in its sole discretion, to resolve one final outstanding issue.

A020
NRR

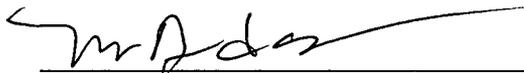
Since September 10, 2010, DOD has assured Aerotest that the final outstanding issue would be resolved within a matter of weeks. Aerotest provided documentation and information, including a confidential list of customer contacts, requested by DOD to help finalize an agreement. At DOD's request, Aerotest reached out to congressional stakeholders and customers and explained that a DOD agreement that would allow the Aerotest facility to continue operations would be forthcoming. However, on October 1, 2010, DOD informed Aerotest that DOD will not resolve the final outstanding issue preventing commercial transfer of the Aerotest facility.

Unless DOD reconsiders its position and takes the necessary action to allow for commercial transfer of the facility, or unless DOD or another federal agency is able to offer some alternative solution prior to the October 15 NRC deadline, Aerotest will be forced to comply with the NRC order and shut down its testing facility. The company has notified its customers of the impending closure of the facility and has stopped receiving new orders. Since notifying its customers, Aerotest has learned that, because of the critical nature of the facility's services and because no alternate supplier of those services exists, the National Aeronautics and Space Administration ("NASA") has approached the NRC and DOD in an attempt to find a solution that would preserve those services. If the government, through NASA, DOD or any other government agency, is not able to resolve the final outstanding issue, Aerotest will regrettably be forced to close its facility to comply with the NRC's order.

I, Michael S. Anderson, hereby certify that the content of this letter contains information that is true and correct to the best of my knowledge.

If you have any questions regarding this submittal, please contact Michael S. Anderson, Secretary of Aerotest at (248) 475-0442 or mike.anderson@autoliv.com.

Sincerely,



Michael S. Anderson
Secretary
Aerotest Operations, Inc.

cc: Via Federal Express
C. Montgomery
Mail Stop O12G7
Document Control Desk

U.S. Nuclear Regulatory Commission
11555 Rockville Pike
Rockville MD 20852