



# AEROTEST OPERATIONS, INC.

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May 5, 2008

U.S. Nuclear Regulatory Commission  
One White Flint North  
11555 Rockville Pike  
Rockville, MD 20852  
Attn: Document Control Desk  
Attn: Dan Collins  
Attn: Cindy Montgomery

Re: Aerotest Operations, Inc.  
License No. R-98  
Docket No. 50-228

Dear Ms. Montgomery and Mr. Collins:

In response to your recent request, Aerotest Operations, Inc. submits the following information relevant to the issue of foreign ownership.

The background for the request can be summarized as follows. Aerotest Operations, Inc. ("Aerotest"), a California corporation incorporated in 1981, is the premier neutron radiography service company in the United States and the world, providing non-destructive testing facilities to a wide range of domestic and international customers. It operates a small TRIGA-type Radiography and Research Reactor at its facility in San Ramon California. Neutron radiography is used to detect invisible flaws in turbine blade castings and in encased pyrotechnic materials. The precision and fine detail provided by neutron radiography cannot be duplicated through other forms of non-destructive testing. Aerotest's testing services are especially important in the military and security field. Approximately 80% of Aerotest's services are related to government contracts, virtually all in the defense field. Aerotest is currently the only provider of neutron radiography services in the U.S.

Aerotest is and has been a wholly owned subsidiary of OEA Aerospace, Inc. (California 1961) ("OEA Aerospace"). OEA Aerospace in turn is and has been a wholly owned subsidiary of OEA, Inc. (Delaware 1957) ("OEA"). Until May of 2000 OEA was a publicly held corporation traded on the New York Stock Exchange. In April 2000, a public tender offer was made for all outstanding shares of OEA, and those shares were acquired in May 2000 by Autoliv ASP, Inc. (Indiana 1989) ("ASP"). ASP is a wholly owned subsidiary of Autoliv, Inc., a U.S. Fortune 500 corporation incorporated in the state of Delaware and publicly traded on the New York Stock Exchange. All of the

A subsidiary of Autoliv ASP, INC.

management of Aerotest, OEA Aerospace, OEA and ASP are U.S. citizens. In a letter dated April 14, 2000, Aerotest informed the NRC of the anticipated purchase of the shares of OEA by ASP. Subsequent to that letter, Aerotest has responded to various questions and requests for information from the Commission concerning ownership and management issues. The Commission's most recent inquiries are focused on Autoliv, Inc. At the request of the Commission, as a part of its response, Aerotest has attached hereto the following filings made by Autoliv, Inc. with the U.S. Securities and Exchange Commission: Form 10-Q Quarterly Report for the period ending March 31, 2007 (Exhibit 1), Form 10-Q Quarterly Report for the period ending June 30, 2007 (Exhibit 2), Form 10-Q Quarterly Report for the period ending September 30, 2007 (Exhibit 3), Form 10-K/A Annual Report for the fiscal year ending December 31, 2007 (Exhibit 4), Form 10-Q Quarterly Report for the period ending March 31, 2008 (Exhibit 5), and Schedule 14A Proxy Statement (Exhibit 6). Reference is also made to the Company's website, [www.autoliv.com](http://www.autoliv.com), which includes additional SEC filings as well as the several corporate governance documents of the Company, some of which are referred to below.

As a preliminary matter, it should be noted that the Nuclear Regulatory Commission Final Standard Review Plan on Foreign Ownership, Control, or Domination, Section 3.2 Guidance On Applying Basic Limitations points out that "The Commission has stated that in context with other provisions of Section 104d, the foreign control limitation should be given an orientation toward safeguarding the national defense and security." At no time during the instant review process has it ever been suggested that any of the corporate entities in the ownership chain of Aerotest, their shareholders, their directors or their management, pose even the most remote risk to national defense or security. Rather, as will be more fully discussed, all of the corporate entities are U.S. corporations either wholly-owned or overwhelmingly owned by U.S. shareholders.

The business of Autoliv, Inc. (the object of the Commission's current inquiry) is managed by or under the direction of its Board of Directors. Directors are elected by vote of the shareholders of the common stock of the Company (there are no classes of shares with special voting rights). As of the publication of Autoliv, Inc.'s 2007 Annual Report to Shareholders, there were approximately 70,000 beneficial owners of Autoliv, Inc. shares, with approximately 80% of the shares held in the U.S. The percentage of U.S. ownership has increased dramatically since Aerotest's original divestiture plan was presented to the NRC on January 29, 2004. At that time, only about half of the shares of Autoliv, Inc. were held in the U.S.

The Board of Directors of Autoliv, Inc. consists of 12 members serving staggered three-year terms (each year, the terms of four of the Directors expire). The current Board includes five U.S. citizens, five Swedish nationals and one member from each Germany and Japan. The terms of four directors (two American and two Swedish) will expire at Autoliv, Inc.'s annual meeting to be held May 6, 2008 in Chicago, Illinois. All four will stand for reelection. All of the directors of the Company are or have been directors or executive officers of major international companies, including Pfizer Inc., Dow Chemical Co., NCR Corp. and the accounting firm KPMG International. Ten members of the Board qualify as independent directors under the applicable rules of the New York Stock Exchange, the Sarbanes-Oxley Act of 2002 and the rules and regulations of the Securities and Exchange Commission. None of the independent directors have a relationship with

the Company other than as a director and/or a shareholder. Biographical information on the Directors of Autoliv, Inc. may be found in the Company's Proxy Statement (Exhibit 6). The Board has adopted Corporate Governance Guidelines to assist the Board in the exercise of its responsibilities, and a Code of Conduct and Ethics for Directors to assist individual directors in fulfilling their duties as members of the Board.

Executive officers of the Autoliv, Inc. are chosen by the Board of Directors and may be removed at any time by vote of the Board, or by shareholder vote. The current officers include citizens of Sweden (8), the U.S. (1) and France (1).

In addition to federal and state law, Autoliv, Inc. is governed primarily by the following documents, all of which are available on the Company's website, [www.autoliv.com](http://www.autoliv.com):

1. Restated Certificate of Incorporation of Autoliv, Inc.
2. Restated By-laws of Autoliv, Inc.
3. Corporate Governance Guidelines
4. Charters of the Standing Committees of the Board
5. Code of Business Conduct and Ethics
6. Code of Conduct and Ethics for Directors
7. Code of Conduct and Ethics for Senior Officers

The purpose of these various governance documents is to ensure that the Company and its employees comply with all aspects of U.S. law that apply to the Company, including the Sarbanes-Oxley Act, the rules of the New York Stock Exchange and the rules and regulations of the Securities and Exchange Commission. Taken as a whole, the governance program is the vehicle by which the Company promotes an ethical corporate culture, exercises diligence in preventing and detecting criminal conduct and continually assesses the risk of such conduct so that the program may be modified to reduce such risks.

Autoliv, Inc. continues to be a leader in the field of automotive safety and has won numerous awards from industry organizations and its customers, including four Ford World Excellence Awards, General Motors Supplier of the Year for 2006 and 2007 and the Automotive News PACE Award for superior innovation and technical advancement. Autoliv, Inc. employs approximately 6000 persons in the U.S. where it operates numerous manufacturing facilities as well as two technical and engineering centers.

Aerotest continues to strongly believe that it is not owned, controlled or dominated by a foreign interest within the contemplation of the Final Standard Review Plan on Foreign Ownership, Control, or Domination. All of the companies in Aerotest's ownership structure are U.S. corporations. All are wholly owned by U.S. entities with the exception of the ultimate parent company, Autoliv, Inc., a U.S. corporation 80% held by shareholders in the U.S. and publicly traded on the New York Stock Exchange. The organizational and governance structure of Autoliv, Inc. was designed to meet the requirements of the U.S. corporate and securities laws and regulations, including the rules of the New York Stock Exchange and the Securities and Exchange Commission, and the Sarbanes-Oxley Act of 2002. Autoliv, Inc. operates several manufacturing and engineering facilities in the U.S. that employ several thousand people. Aerotest does not

believe that a relatively small percentage of non-U.S. ownership of a U.S. company that is four levels above it in the corporate structure, in this situation, constitutes foreign ownership or control. This belief is reinforced by the fact that no person employed by Autoliv, Inc. has ever taken any role, directly or indirectly, in the operation or management of the Aerotest facility.

I would be pleased to answer any questions you may have or provide any further information that you require. Please contact me at your convenience.

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael S. Anderson", with a long horizontal flourish extending to the right.

Michael S. Anderson  
Member of the Board of Directors  
Aerotest Operations, Inc.