

October 5, 2005

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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 reported in earlier correspondence, we have been unable to identify potential buyers of the business with the exception of two customers of Aerotest, each of which has expressed an interest in evaluating a purchase of the business. The President of Aerotest has personally continued to pursue these potential partners inasmuch as they represent our best prospects for a divestiture of the business. However, we continue to be somewhat frustrated that neither entity seems able to focus the resources necessary to move forward at this time. We continue to view these as our best (and currently, our only) opportunities for divestiture, and will continue to pursue these opportunities.

Likewise, we have continued discussions with the offices of Senator Feinstein and Representative Pombo to explain the ownership issue and to seek any congressional assistance that might be available to resolve it. It has been our understanding that the offices of the Senator and the Representative intended have direct discussions at the staff

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level, however, I am unable to confirm that those discussions have taken place. We intend to meet again personally with both offices. It is our hope that they will agree that the services performed by Aerotest in providing testing of defense components are valuable and difficult to replace, and that it would be appropriate to assist us in addressing the divestiture issue.

Through the first 3 quarters of 2005 the Aerotest business has been stable with modest growth. Aerotest's testing services continue to be predominately related to government contracts, virtually all in the defense field, and in most cases Aerotest continues to be the only source of these testing services.

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 stroke extending to the right.

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

cc: R. Tsukimura