

AGREEMENT IN PRINCIPLE

I. Sparton will enter into a Consent Decree and Corrective Action Plan (CD/CAP) with the EPA for corrective action at the Site. This commitment means that Sparton will negotiate with the EPA in good faith and will use its best efforts to enter into a CD/CAP with the EPA.

A. After receipt of the EPA draft CD/CAP, Sparton shall have 60 calendar days to sign the CD/CAP, exclusive of time spent by EPA reviewing Sparton's comments, responses and proposals to be incorporated in the draft CD/CAP.

B. Sparton shall be entitled to an extension of the 60 calendar days equal to the number of days lost which were delays beyond Sparton's control.

1. "Beyond Sparton's Control" shall mean:

a) The event or delay was not reasonably foreseeable.

b) The delay could not have been overcome by due diligence.

c) The delay was beyond the reasonable control of Sparton, including Sparton's consultants or contractors.

d) "Beyond Sparton's control" shall include illness, accident, injury, resignation of key personnel, loss of documents by U.S. mails or commercial courier, and events which constitute a force majeure.

e) "Beyond Sparton's control" does not include unanticipated costs or unanticipated increases in cost of performance or changed economic circumstances.

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C. When a delay has occurred which Sparton claims is beyond its control, Sparton shall notify the EID in writing within 48 hours of when Sparton knows of the delay or anticipated delay. The written notice shall fully describe the nature of the delay, the reasons therefor, the expected duration of the delay, and the actions which will be taken to mitigate further delay and their timetable.

D. Within 10 working days after receipt of Sparton's notice, the EID will advise Sparton in writing whether it accepts or rejects Sparton's claim that the delay was beyond Sparton's control, and its basis for such rejection.

E. If EID rejects the claim of Sparton that it was beyond Sparton's control, the parties shall have 15 days to attempt to informally resolve the dispute.

F. If at the end of 15 days the parties have not reached agreement, EID shall issue a written decision which would serve as final action and a basis for possible penalties and/or judicial remedies.

G. If Sparton fails to sign the EPA CD/CAP within 60 calendar days (as extended, if at all, for delays beyond Sparton's control) Sparton shall pay EID a stipulated penalty of \$6,000. Additionally, EID reserves its right to go to court on underlying claims (see EID draft Settlement Agreement of April 10, 1987, paragraph 1) seeking penalties from June 10, 1987.

II. If Sparton fails to comply with the EPA CD/CAP once signed, the EID reserves its right to pursue any legal remedies it has, if any, including penalties against Sparton for such non-compliance.

III. Sparton shall request that EPA include in the EPA CD/CAP all of the New Mexico parameters/standards required by the EID (see EID draft

Settlement Agreement of April 10, 1987, paragraph 4.d.(1) and WQCC Reg. Section 3-103).

IV. In the event any EID-required New Mexico parameters/standards are not included in the final EPA CD/CAP, at that time EID and Sparton shall enter into a Settlement Agreement setting forth the rights, duties and obligations of Sparton and EID with respect to the omitted New Mexico parameters/standards. The Settlement Agreement issued April 10, 1987, shall form the basis for negotiation of a final Settlement Agreement and shall be signed within 20 business days of the issuance of the final EPA CD/CAP.

A. As a part of that Settlement Agreement, the parties agree to negotiate in good faith a schedule of stipulated penalties that would apply to the relevant procedures and time tables.

The parties recognize that there are a range of potential violations and a range of potential stipulated penalties to be negotiated.

V. If an EID required New Mexico parameter/standard is not included in the final EPA CD/CAP:

A. Sparton will comply with the relevant administrative review and approval of proposals and reports for the New Mexico parameters/standards not included in the EPA CD/CAP, to be based on the language in the EID draft Settlement Agreement of April 10, 1987.

B. Any substantial conflicts in procedures, technology or methodology between EPA and EID shall be resolved in favor of the EPA procedures, technology or methodology.

C. Sparton shall have the right and opportunity to demonstrate to EID the technical infeasibility of meeting a particular parameter/standard only as provided by the EID draft Settlement Agreement of April 10, 1987, paragraph 4.d.(4). In the event another procedure is or becomes

VII. Neither the EPA CD/CAP nor the EID Settlement Agreement, if any, shall be used as an admission of liability regarding any issue dealt with therein, or as an admission of any fact dealt with or assumed therein.

VIII. Upon execution of the final EPA CD/CAP and EID Settlement Agreement, if any, EID agrees that it will not pursue or collect and hereby waives the civil penalties described in its letter of April 10, 1987. By this recitation and agreement by EID, Sparton does not concede or admit the right or authority of EID to assess, pursue or collect any such penalties and Sparton expressly reserves the right to contest the assessment or collection of such penalties. Sparton will not challenge the validity of the Settlement Agreement, however, and the Stipulated Penalties provided for therein.

IX. Sparton may proceed with its planned implementation of corrective action and reclamation of groundwater at the site during the calendar of events set forth in this document. All actions so undertaken, and all actions required to be done pursuant to this Agreement in Principle shall be undertaken in accordance with the requirements of all applicable local, state and federal laws and regulations.

FOR SPARTON TECHNOLOGY,
INC.

Richard D. Mico

RICHARD D. MICO
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Date: June 10, 1987

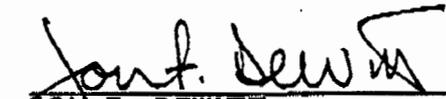
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Date: June 12, 1987



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