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March 27, 1998

VIA FACSIMILE and U.S. MAIL

Michael A. Hebert
Technical Section
Hazardous Waste Enforcement Branch
U.S. Environmental Protection Agency
Region 6
1445 Ross Avenue, Suite 1200
Dallas, TX 75202-2733

Re: Final Administrative Order Issued to Sparton Technology, Inc.,
Docket No. RCRA-VI-001(h)96-H; EPA ID No. NMD083212332

Dear Mr. Hebert:

Richard Mico has asked that I respond to your letter dated March 24, 1998. In that letter, you state that EPA has not received any documents or response related to certain financial assurance requirements described in the above referenced final administrative order.

As you are aware, Sparton Technology, Inc. ("Sparton") has pending in Albuquerque a lawsuit that challenges actions of EPA in issuing and finalizing the above referenced order. Because you are already well aware of Sparton's position, I will not describe in detail all of the objectively reasonable basis for Sparton not to comply with that order. In general, Sparton believes and has alleged that the process leading to the final administrative order violates EPA's obligations under an administrative order on consent entered into by the agency and Sparton in October of 1988. Additionally, the existence of a pending judicial action by EPA seeking the same relief sought in the order should have prevented EPA from proceeding further with the administrative process and issuing the final order, and should now preclude EPA from enforcing that order. Sparton has also alleged that the process resulting in the final administrative order, as applied to the particular circumstances of this matter, violates Sparton's due process rights. Finally, if you have reviewed submissions over the last several years, you are undoubtedly aware that there is a substantial disagreement between EPA and Sparton over the need for the studies and most of the remedial activities required in the final administrative order. Sparton has already submitted to the agency overwhelming evidence establishing that the final administrative order is not supported by substantial evidence and is arbitrary and capricious or otherwise not in accordance with law. I am sure you are also

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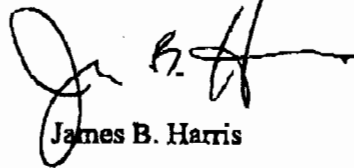
aware that Sparton has proposed an alternative to the final administrative order that would achieve the same objectives but at a much lower cost.

As Sparton understands the order and your letter, EPA is requesting that the company provide "assurance" that for the next thirty (30) years it has the financial capability of funding a cleanup that could cost as much as \$26 million. As I am sure you are aware, providing such assurance would either be incredibly costly to Sparton, by requiring letters of credit or third party guarantees, or would force the company to unnecessarily tie up a significant amount of working capital. Because Sparton disputes in good faith the order upon which the \$26 million figure is based, it would not be appropriate to force Sparton to incur those costs or otherwise restrict its financial resources that could be otherwise used for much more productive activities.

Sparton would be more than willing to meet with the agency to discuss providing "financial assurance" for the costs of those tasks that it believes are reasonable and appropriate under the circumstances.

If EPA is interested in meeting to discuss this subject, please contact me immediately.

Yours very truly,



James B. Harris

JBH/eshd

cc: Michael Donnellan via facsimile
Charles De Saillan via facsimile
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