

ENTERED

September 12, 2008

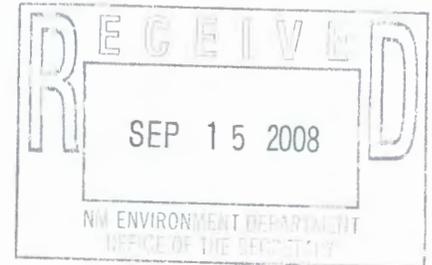
Sparton Corporation
2400 East Ganson Street
Jackson, Michigan 49202
517.787.8600
FAX: 517.787.1822
<http://www.sparton.com>



SPARTON
CORPORATION

Mr. Richard Greene
Regional Administrator
Environmental Protection Agency
Region 6
1445 Ross Avenue
Dallas, Texas 75202

Mr. Ron Curry
Secretary of New Mexico Environment Department
Harold S. Runnels Building
1190 St. Francis Drive
Suite N4050
Santa Fe, New Mexico 87505



Dear Messrs. Greene and Curry:

I am the chief financial officer of Sparton Corporation, 2400 E. Ganson Street, Jackson, Michigan 49202. This letter is in support of Sparton Corporation's use of the financial test to demonstrate financial assurance for corrective action and any post-closure care, as specified in subparts G and H of 40 C.F.R. parts 264 and 265.

1. Sparton Corporation is the owner or operator of the following facilities for which financial assurance for closure, post-closure care, or corrective action is demonstrated through the financial test specified in subpart H of 40 C.F.R. parts 264 and 265. The current closure, post-closure care, and/or corrective action cost estimates covered by the test are shown for each facility: None.

2. Sparton Corporation guarantees, through the guarantee specified in subpart H of 40 C.F.R. parts 264 and 265, the corrective action and any post-closure care of the following facilities owned or operated by the guaranteed party. The current cost estimates for the corrective action and post-closure care so guaranteed are shown for each facility: Sparton Technology, Inc., 9621 Coors Rd., N.E., Albuquerque, New Mexico 87114: corrective action and post-closure care cost estimate = \$3,126,925. Sparton Corporation is the direct parent corporation of Sparton Technology, Inc.

3. In States where EPA is not administering the financial requirements of subpart H of 40 C.F.R. part 264 or 265, Sparton Corporation, as guarantor, is demonstrating financial assurance for the closure, post-closure care, or corrective action of the following facilities through the use of test equivalent or substantially equivalent to the financial test specified in subpart H of 40 C.F.R. parts 264 and 265. The current closure, post-closure care, and corrective action cost estimates covered by such a test are shown for each facility: Except for the Sparton Technology, Inc. facility listed under number 2 above, none.

4. Sparton Corporation is the owner or operator of the following hazardous waste management facilities for which financial assurance for closure, post-closure care, or corrective action is not demonstrated either to EPA or a State through the financial test of any other financial assurance mechanism specified in subpart H of 40 C.F.R. parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure, post-closure care, and corrective action cost estimates not covered by such financial assurance are shown for each facility: None.

5. Sparton Corporation is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under part 144. The current closure cost estimates as required by 40 C.F.R. 144.62 are shown for each facility: None.

Sparton Corporation is required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on June 30. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended June 30, 2008.

ALTERNATIVE I

1. Sum of current corrective action and post-closure care cost estimates:

\$3,126,925

*2. Total liabilities: \$71,866,638

*3. Tangible net worth: \$47,662,553

*4. Net worth: \$70,859,754

*5. Current assets: \$97,686,399

*6. Current liabilities \$56,105,115

*7. Net working capital: \$41,581,284:

*8. The sum of net income plus depreciation, depletion, and amortization:

\$(10,934,935)

*9. Total assets in U.S. (required only if less than 90% of firm's assets are located in the U.S.): \$127,333,435 (89.2%)

10. Is line 3 at least \$10 million? (Yes/No) Yes

11. Is line 3 at least 6 times line 1? (Yes/No) Yes

12. Is line 7 at least 6 times line 1? (Yes/No) Yes

*13. Are at least 90% of firm's assets located in the U.S.? If not, complete line 14

(Yes/No) No

14. Is line 9 at least 6 times line 1? (Yes/No) Yes

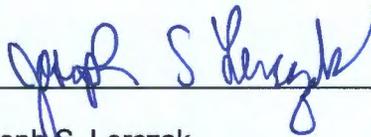
15. Is line 2 divided by line 4 less than 2.0? (Yes/No) Yes

16. Is line 8 divided by line 2 greater than 0.1? (Yes/No) No

17. Is line 5 divided by line 6 greater than 1.5? (Yes/No) Yes

I hereby certify that the wording of this letter is substantially identical to the wording specified in 40 C.F.R. 264.151(f) as such regulations were constituted on the date shown immediately below, except as modified to reflect financial assurances of corrective action and except where "this firm" is replaced with "Sparton Corporation."

[Signature]



[Name]

Joseph S. Lerczak

[Title]

Vice President, Chief Financial Officer and Treasurer

[Date]

September 12, 2008

To follow in separate enclosure: Sparton's 2008 Annual Report on Form 10-K

Copies to:

United States Environmental Protection Agency – Region VI
Technical Section (6EN-HX)
Compliance Assurance and Enforcement Division
1445 Ross Avenue
Dallas, Texas 75202
Attn: Sparton Technology, Inc., Project Coordinator (3)

Director
Water and Waste Management Division
New Mexico Environment Department
P.O. Box 26110
Santa Fe, NM 87502-6110

Chief
Hazardous Waste Bureau
New Mexico Environmental Department
P.O. Box 26110
Santa Fe, NM 87502-6110

Chief
Groundwater Bureau
New Mexico Environment Department
P.O. Box 26110
Santa Fe, NM 87502-6110

Tony Hurst
Hurst Engineering Services
1915 Fairfax St.
Denver, CO 80220

MWC Legal & Environmental Consulting
7413 Lake Windermere Dr.
Corpus Christi, Texas 78413
Fax: 361-850-9604

September 2, 2008

Ms. Susan Widener
Sparton Corporation
2400 East Ganson Street
Jackson, Michigan 49202

Re: Sparton Technology, Inc.
Albuquerque, New Mexico
Coors Road Facility Financial Assurance Estimate

Dear Ms. Widener:

MWC Legal & Environmental Consulting is pleased to provide the attached estimate of financial assurance to be included in the submission by Sparton Technology, Inc. (Sparton) to the Environmental Protection Agency (EPA) and New Mexico Environmental Department (NMED) per Section XXIV, Paragraph 90, of the March 3, 2000 Consent Decree and meets the requirements for cost estimates for closure found under 40 CFR §264.142. The attached estimate of \$3,126,925 is based on an effective value date on June 30, 2008, which is consistent with Sparton's fiscal year-end and also the RCRA regulatory requirements. This estimate is \$223,275 lower than the previous estimate provided to Sparton on September 6, 2007. The largest single item reducing the estimate is completion of another year, for a total of 9 of the 30 years of projected time for closure operations. The estimated contribution for the most recently completed fiscal year was \$195,000 for expenses. The remaining modifications made as part of the update of the financial assurance estimate, are described both below and in the attached estimate as notes of the changes made. (See Attachment 1 – 21 Year Summary) As in past years, electricity costs were adjusted based on the previous year's actual costs; in this case FY2008.

The starting point for this update was the estimate provided to Sparton on September 6, 2007 with adjustments made to reflect an estimated effective value as of the end of FY2008, June 30, 2008, covering the project through the estimated remaining life of 21 years. Mr. Tony Hurst was again contacted as part of this update and he provided information, including monthly reports and the 2007 Annual Report, on operations of the systems at the Coors Road Facility. The estimated cost to plug and abandon a site well was also confirmed. The May 2004 NMED Corrective Action Fund contractor fee schedule was confirmed to be the current update, thus validating the maximum hourly rates for professional services and sampling equipment costs. The update process and changes made to the estimate included the following:

Changes made from FY2008 Estimate:

1. Offsite Containment O&M Expenditures to operate system - Power (45hp) & Utilities has decreased from \$1,783/Unit to \$1,758/Unit and contingency did not change (\$2,100)..
This was based on using the average monthly actual electricity cost in FY2008 adjusted for operating 100% of the time.
2. O&M Expenditures to Operate System - Power (12hp) has decreased from \$875/Unit to \$733/Unit and contingency decreased from \$1,100 to \$1,000 based on average FY2008 monthly actual electricity costs cost adjusted for operating 100% of the time.
3. Deleted Capital Expenditures category and Vadose (SVE) O&M Costs due to no further expenditures anticipated.
4. Cost for lease of water rights increased from \$550/year to \$875/year.
5. Increased estimate for Aquifer Model to \$2,300 per year through 2019 due to continuing questions concerning the Deep Flow Zone (DFZ).
6. No adjustments have been made to cost estimates for sampling and data analysis due to request to discontinue dissolved oxygen and oxidation/reduction potential data collection not having been approved.

Notes

- (a) The equipment cost of \$15,000 per year each for offsite systems and \$11,800 per year for the onsite system includes \$170,000 to replace approximately 12 wells.
- (b) Labor cost for operation and maintenance of the containment systems (off-site and source) assumes \$63.25/hour plus a minimum contingency of 10%. The labor requirement assumes performing routine inspection on each of the two systems an average of 3 hours per week for the offsite and 2.25 hours per week for the onsite, not including 15 minute inspections each week included in sampling labor. This is consistent with past experience and the experience of Sparton. The inspection and monitoring program will entail checking and recording information related to the status of the system. The parameters that will be monitored are listed in Appendix K of the System O&M Manual.
- (c) Quality Check entails additional evaluation of previously collected analytical data, resulting in 5 hours of work annually for a staff scientist (\$66.00 / hour) plus a minimum of 10% contingency.
- (d) Aquifer Modeling will require 25 hours per year through 2019 and 14 hours per year for the remaining years. Basis for the reduction of effort relates to the improved calibration of the model over time, assuming only minor adjustments will be required to confirm model outputs are consistent with observations. Modeling will be executed by a Project Scientist (\$82.50 / hour) plus a minimum of 10% contingency.
- (e) The preparation of annual reports includes performance and alternative system evaluation. Due to the data generated throughout the process, with costs contained in other sections of the budget (i.e. modeling, data analysis, etc.), 50 hours annually are allocated to prepare the Annual Report for a Staff Engineer (\$66.00 / hour). A minimum of 10% contingency and additional review by a Senior Engineer are included in a total contingency not to exceed \$700.00.
- (f) Data collection for 69 wells and sampling for the 59 wells located both on and off-site require 255 hours annually for a field technician (\$63.25), plus a minimum of 10% contingency.
- (g) Assumes 23 days for rental of pH/specific conductance/temperature meter (\$50/day), water level indicator (\$25/day), disposable bailers (\$3/day), miscellaneous equipment (gloves, tape, replacement drums, etc., \$5/well), which averages about \$22.20/sample.
- (h) Number of samples based on 59 wells plus approximately 27 quality control samples.
- (i) Quality Assurance and Control of data analysis results consists of 1 hour every other week for a Project Engineer (\$82.50 / hour) plus a minimum of 10% contingency.
- (j) Analysis of Modeling Information will entail combining previous annual reports, modeling results and other previously collected data with the 5 year annual report; interactions with NMED & EPA; the data analysis and performance evaluation for this report is included under aquifer modeling, annual reports and project management.
- (k) Closure Certification Report entails compiling historical data and a written analysis of 30 years of progress, as a result of the remedial actions, by a Senior Engineer (\$104.50/ hour) plus a minimum of 10% contingency.
- (l) Task to be completed only if significant exceedances of discharge limits occur, thus no expenditure is anticipated. If this expenditure is required, the contingency for closure (\$12,850) is ample to cover the anticipated sampling cost (\$1000).
- (m) "Management" consists of meetings with agency representatives, consultants and individuals from Sparton Technologies, in addition to handling routine administrative tasks. The total estimate for these tasks is 170 hours per year.
- (n) "Data Tabulation" is assumed to be on a quarterly basis for about 6 hours per quarter.
- (o) "Monthly Reporting" is assumed to be about 2 hours per month.
- (p) "Annual Reporting" is assumed to be 50 hours annually.
- (q) Total includes contingency.
- (r) New deep flow zone well was installed and tested in FY2006 with data analysis completed in 2008. Sampling and O&M costs included above.
- (s) Labor rates per May 2004 (most current version) NMED Corrective Action Fund contractor fee schedules for the maximum hourly rates for professional services.
- (t) Material rates per May 2004 (most current version) NMED Corrective Action Fund contractor fee schedules for field equipment.

Sparton Technology, Inc.
Coors Rd. Facility
Albuquerque, New Mexico
Fiscal Year 2009
21 Year Summary

Changes Notes	O&M Expenditures	Material and Service Expenditures (t)				Labor Expenditures (s)				TOTAL TYPICAL ANNUAL COST	2009	2010-2014	2015-2019	2020-2024	2025-2029	Totals
											2009	2010-2014	2015-2019	2020-2024	2025-2029	Totals
3	Offsite Containment II Permits / Licenses										\$56,800	\$284,000	\$284,000	\$0	\$0	\$624,800
	Pipeline Easement	LS	1	500	0%				500	500	2500	2500	0	0		
	Arroyos Easement	LS	1	3,000	0%				3000	3000	15000	15000	0	0		
1	Operate System - Power (45hp) & Utilities	Month	12	1,758	2100	10%				23200	23200	116000	116000	0	0	
	Influent/Effluent Sampling	Month	12	315	420	11%				4200	4200	21000	21000	0	0	
	O&M - Equipment (a)	Month	12	1,140	1320	10%				15000	15000	75000	75000	0	0	
	O&M - Labor (b)					156	63.25	1033.00	10%	10900	10900	54500	54500	0	0	
	Ground water monitoring -see below															
	O&M - Chromium Treatment, Complete									0	0	0	0	0	0	
	Source Containment									\$34,875	\$174,375	\$174,375	174,375	174,375	\$732,375	
2	Operate System - Power	Month	12	733	1000	11%				9800	9800	49000	49000	49000		
	Influent/Effluent Sampling	Month	12	315	420	11%				4200	4200	21000	21000	21000		
	O&M - Equipment (a)	Month	12	890	1120	10%				11800	11800	59000	59000	59000		
	O&M - Labor (b)					117	63.25	799.75	11%	8200	8200	41000	41000	41000		
4	Lease of water rights	LS	1	875	0%					875	875	4375	4375	4375		
	Deep Flow Zone (DFZ) Monitoring Well MW-79 (r) Complete															
	Evaluation, Analysis & Recommendation Quality Check (c)					5	86.00	70.00	21%	400	\$55,000	\$275,000	\$275,000	\$270,500	\$270,500	\$1,146,000
5	Aquifer Model (Estimate) (d)					25	82.50	237.50	12%	2300	400	2000	2000	2000	2000	
	Annual Reports Incl. Perf. & Alt. Eval. (e)					50	86.00	700.00	21%	4000	4000	20000	20000	20000	20000	
	Ground Water Monitoring and Sampling															
6	Data Collection and Sampling (f)					255	63.25	1671.25	10%	17800	17800	89000	89000	89000	89000	
6	Sampling Equipment (g)	Sample	86	22.20	190.8	10%				2100	2100	10500	10500	10500		
	Analysis (Lab Costs) (h)	Sample	86	270	2780	12%				26000	26000	130000	130000	130000	130000	
	QA/QC and Data Analysis (i)					26	82.50	255.00	12%	2400	2400	12000	12000	12000	12000	
	Analysis of Additional Modeling Information (j)					180	82.50	1550.00	10%	16400	0	0	0	0	0	
	Closure										\$0	\$0	\$0	\$0	\$108,200	\$108,200
	Plug and Abandon 68 wells	Well	68	1,300	10700	12%				99100	0	0	0	0	99100	
	Remove Piping (LS)									2200	0	0	0	0	2200	
	Closure Certification Report (k)					60	104.50	630.00	10%	6900	0	0	0	0	6900	
	Soil Sampling at Infiltration Galleries (l)															
	Project Management										\$24,550	\$122,750	\$122,750	\$122,750	\$122,750	\$515,550
	Management (m)					170	82.50	1375.00	10%	15400	15400	77000	77000	77000	77000	
	Data Tabulation (n)					25	82.50	237.50	12%	2300	2300	11500	11500	11500	11500	
	Monthly Reporting (o)					25	82.50	237.50	12%	2300	2300	11500	11500	11500	11500	
	Annual Reporting (p)					50	82.50	425.00	10%	4550	4550	22750	22750	22750	22750	
	Total O&M Expenditure										\$171,225	\$856,125	\$856,125	\$567,625	\$675,825	\$3,126,925
	Summary										\$171,225	\$856,125	\$856,125	\$567,625	\$675,825	\$3,126,925 (q)
	Total O&M Expenditure										\$171,225	\$856,125	\$856,125	\$567,625	\$675,825	\$3,126,925 (q)

Sparton Technology, Inc.
Coors Rd. Facility
Albuquerque, New Mexico
Fiscal Year 2009
21 Year Summary

Changes																
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	Permits / Licenses															
	Pipeline Easement	LS	1	500	0%				500	500	2500	2500	0	0		
	Arroyos Easement	LS	1	3,000	0%				3000	3000	15000	15000	0	0		
1	Operate System - Power (45hp) & Utilities	Month	12	1,758	2100	10%					23200	23200	116000	116000	0	0
	Influent/Effluent Sampling	Month	12	315	420	11%					4200	4200	21000	21000	0	0
	O&M - Equipment (a)	Month	12	1,140	1320	10%					15000	15000	75000	75000	0	0
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	Ground water monitoring -see below															
	O&M - Chromium Treatment, Complete									0	0	0	0	0	0	
	Source Containment										\$34,875	\$174,375	\$174,375	174,375	174,375	\$732,375
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	Evaluation, Analysis & Recommendation										\$55,000	\$275,000	\$275,000	\$270,500	\$270,500	\$1,146,000
	Quality Check (c)					5	66.00	70.00	21%	400	400	2000	2000	2000	2000	
5	Aquifer Model (Estimate) (d)					25	82.50	237.50	12%	2300	2300	11500	11500	7000	7000	
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	Closure										\$0	\$0	\$0	\$0	\$108,200	\$108,200
	Plug and Abandon 68 wells	Well	68	1,300	10700	12%					99100	0	0	0	0	99100
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	Closure Certification Report (k)					60	104.50	630.00	10%	6900	0	0	0	0	6900	
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Review of Financial Assurance Test

(financial numbers as of 6/30/08)

Criteria**Met Criteria?**

* Liabilities to Net worth less than 2				
Liabilities	Net Worth			
\$71,866,638 to	\$70,859,754 equals	1.01		Yes
Liabilities to Tangible Net worth less than 2				
Liabilities	Tangible Net Worth			
\$71,866,638 to	\$47,662,553 equals	1.51		Yes
* Current Assets to Current Liabilities greater than 1.5				
Curr. Asset	Curr. Liability			
\$97,686,399 to	\$56,105,115 equals	1.74		Yes
Working Capital <u>and</u> Net worth greater than 6 time remediation liability (6 x \$3,126,925 = \$18,761,550)				
Curr. Asset	Curr. Liability	Working Capital		
\$97,686,399 less	\$56,105,115 equals	\$41,581,284		Yes
		Net Worth		
		\$70,859,754		Yes
Tangible Net Worth				
Net Worth	Intangibles	Tangible Net Worth		
\$70,859,754 less	\$23,197,201 equals	\$47,662,553		Yes
Net Worth and Tangible Net Worth greater than \$10,000,000				Yes
U.S. Assets greater than 90% of total assets <u>or</u> greater than 6 time remediation liability (\$18,761,550)				
Total Assets	Canada	Vietnam	US %	
\$142,726,392	\$9,462,792	\$5,930,165	89.22%	No
U.S. Assets				
\$127,333,435				Yes
* Net Income plus depreciation plus depletion plus amortization / Total Liabilities greater than 0.1				
Net income (loss)	(\$13,138,292)			
D + D + A	\$2,203,357	Total Liabilities		
Total	<u>(\$10,934,935)</u> /	<u>\$71,866,638</u>	(0.152)	No
* Only two of the three criteria must be met - Are two met?				Yes



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Report of Independent Accountants on Applying Agreed-Upon Procedures

Board of Directors and Management
Sparton Corporation
Jackson, Michigan

Environmental Protection Agency
Dallas, Texas

New Mexico Environmental Department
Santa Fe, New Mexico

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Sparton Corporation and subsidiaries as of June 30, 2008, and the related consolidated statements of income, shareowners' equity and cash flows for the year then ended, and have issued our report thereon dated September 12, 2008. Our opinion on the financial statements referred to above is presented in Sparton Corporation's 2008 Annual Report (Form 10-K) which is referred to in the letter dated September 12, 2008 and signed by Joseph S. Lerczak, Chief Financial Officer of Sparton Corporation, to the Environmental Protection Agency and the New Mexico Environment Department ("the Lerczak Letter").

We have performed the procedures described below, which were specified by the Environmental Protection Agency and agreed to by Sparton Corporation, to the Lerczak Letter, solely to assist you in complying with the requirements of the State of New Mexico and the United States Environmental Protection Agency. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

We have compared the following data included in the Lerczak Letter to amounts included in or derived from the audited consolidated balance sheet of Sparton Corporation and subsidiaries as of June 30, 2008, and the related consolidated statements of income, shareowners' equity and cash flows for the year then ended, which we have audited and issued our report thereon as described above, and found them to be in agreement.

<i>Description</i>	<i>Balance</i>
Total liabilities	\$ 71,866,638
Tangible net worth *	47,662,553
Net worth	70,859,754
Current assets	97,686,399
Current liabilities	56,105,115
Net working capital	41,581,284
Sum of net loss plus depreciation, depletion and amortization	(10,134,935)
Total assets in U.S.	127,333,435

* Represents shareowners' equity (net worth) less goodwill and other intangibles, net as reported in Form 10-K

We were not engaged to, and did not, conduct an audit, examination or review, the objectives of which would be the expression of an opinion or limited assurance on the Lerczak Letter. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and management of Sparton Corporation, the State of New Mexico and the United States Environmental Protection Agency and is not intended to and should not be used by anyone other than these specified parties.

BDO Seidman, LLP

Grand Rapids, Michigan
September 12, 2008