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March 2, 2011

Via Fax, Email, and Regular Mail
John E. Kieling
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Chuck Hendrickson
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Re: Notice of Invocation of Dispute Resolution

Dear Mr. Kieling and Mr. Hendrickson:

I have been asked by Sparton Corporation to respond to your January 28, 2010 (sic), letter that was received on January 31, 2011. That letter requested clarification on several items and revision of the financial assurance submitted on September 20, 2010, in accordance with paragraph 90 of a March 2000 Consent Decree Sparton Technology, Inc. entered. I will restate each of EPA's and NMED's comments, and then provide Sparton's response.

1. The regulatory citations used in Mr. Slome's letter are too vague. Sparton shall amend the citations to make them appropriately specific.

   RESPONSE: Without knowing which regulatory citations are too vague or why they are too vague, it is impossible for Sparton to respond to this request. The September 20, 2010, letter is the same form that Sparton has been using for ten years without objection from EPA or NMED. If you could be more specific about why, after ten years, you need more detail on regulatory citations and which regulatory citations you are referring to, Sparton will reconsider its position. In the meantime, Sparton invokes dispute resolution under paragraph 48 of the Consent Decree with respect to this request because it is vague and the need for and justification of the request under the Consent Decree has not been provided.

2. Sparton Technology, Inc. is using a corporate guarantee (Alternative 1) under 40 CFR 264.143(f) from its parent company Sparton Corporation to cover corrective action costs and

post-closure costs of $3,099,900 as stated in Item 2 of Mr. Slome's letter. However, the letter does not break down the cost estimate by regulatory requirement. EPA and NMED request that Sparton Corporation break down the cost estimate by regulatory requirement.

RESPONSE: Sparton does not know what "regulatory requirements" you are referring to. The breakdown of costs was set forth in an August 2, 2010, letter from Mark W. Cheesman, a copy of which was enclosed with the September 20, 2010, correspondence. The work for which financial assurance is required is set forth in work plans compelled by the Consent Decree. Mr. Cheesman's estimate tracks activities those work plans specify. No other cost breakdown should be necessary and, in fact, EPA and NMED have found the cost breakdown set forth in Mr. Cheesman's letter to be satisfactory for the past ten years. To the extent EPA and NMED now seek a different cost breakdown without providing any basis for or justification of that request, Sparton objects and invokes dispute resolution under paragraph 48 of the Consent Decree.

3. A written guarantee as required under 40 CFR 264.143(f)(10) was not included in the documentation provided. The written guarantee is a required element of a compliant submission. Sparton Corporation shall submit a written guarantee as specified in 40 CFR 264.151(h)(1) for the costs to cover corrective action and post-closure care within thirty (30) days of the receipt of this letter.

   RESPONSE: Item 2 of the September 20, 2010, letter provides a written guaranty. That form of guarantee has been acceptable to NMED and EPA for the past ten years. NMED and EPA have not provided any basis for why a different guarantee is now necessary. To the extent NMED and EPA will continue to insist on a different guarantee, without explanation or justification, Sparton objects and invokes dispute resolution under paragraph 48 of the Consent Decree.

4. In the June 30, 2010 10-K filing with the SEC by Sparton Corporation, accrued future environmental liabilities of $4,538,000 were reported. This figure was not itemized by facility, so it is not clear to EPA and NMED whether these liabilities include the NM Facility or if these environmental obligations are in addition to those of the NM Facility. Sparton Corporation shall confirm whether the letter submitted by Mr. Slome included cost estimates for all facilities for which it is demonstrating financial assurance, including those for Subpart H of 40 CFR Parts 264 and 265. An itemization of these liabilities by facility is requested.

   RESPONSE: The $4,538,000 figure included in Sparton's June 30, 2010, 10-K filing only covers what EPA and NMED have referred to as the NM Facility. To the extent EPA and NMED have questions about this estimate, I enclose a copy of an October 10, 2000, letter addressing material differences in the way in which accruals for the NM Facility are handled for accounting purposes and how cost estimates are established for financial assurance purposes. Both NMED and EPA were satisfied with the explanation included in the October 10, 2000, letter and for the past ten years have not seen a need to compare

accruals identified in SEC filings with financial assurance cost estimates. If EPA and NMED seek more in this request then a confirmation that the sole facility referenced in Sparton's 10-K filing is the NM Facility then Sparton objects and invokes dispute resolution under paragraph 48 of the Consent Decree because EPA and NMED have provided no justification for why such request is appropriate now under the Consent Decree.

I am hopeful that with this response, EPA and NMED will consider this matter resolved and that it will not be necessary to continue with dispute resolution.

Yours very truly,

for James B. Harris

JBH/jdo
Encl.

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