

THOMPSON & KNIGHT LLP

ATTORNEYS AND COUNSELORS

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www.tklaw.com

February 27, 2019

Via E-mail (john.kieling@state.nm.us)

John E. Kieling
Chief Hazardous Waste Bureau
New Mexico Environment Department
2905 Rodeo Park Drive East, Bldg. 1
Santa Fe, NM 87505-6313

Re: Financial Assurance Submittal – Sparton Technology, Inc.

Dear Mr. Kieling:

I have been asked by Mr. McCormick and Mr. Martinez to respond to your January 31, 2019, letter identifying concerns with Sparton Technology, Inc.'s ("Sparton") financial assurance submittal dated October 31, 2018. With the exception of comments one and two, the remaining comments express a concern that what Sparton submitted does not match, word for word, language found in 40 C.F.R. §264.151. Attached to this letter are markups of the standby trust agreement and letter of credit that Sparton submitted showing where differences exist with the language in §264.151.

For the reasons discussed below, it is Sparton's position that the deviations do not impact the enforceability of the standby trust agreement or the letter of credit and, in fact, provide greater protection to NMED than would result if the exact language in §264.151 was followed. Sparton is requesting that the New Mexico Environment Department ("NMED") reconsider its request that Sparton modify its financial assurance documents and instead accept them as submitted.

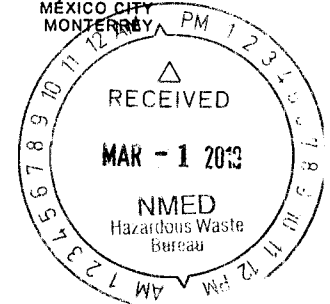
The first comment notes the absence of the EPA ID number for the Sparton facility. That information is not material to the enforceability of either the letter of credit or the standby trust. Its absence does not create any confusion about what facility is covered and that information is not required by §264.151.

As to comment 3, it is unclear to Sparton why the standby trust needs to be modified to specifically mention the secretary of NMED. It is our understanding that NMED has been delegated responsibility to enforce the Resource Conservation Recovery Act in the state of New Mexico. Therefore, a reference to the regional administrator of EPA necessarily incorporates the secretary of NMED. Moreover, making that change would require a deviation from the exact language found in §264.151, which seems inconsistent with the general thrust of your letter that the language of §264.151 be followed exactly. This requested change appears to be one of form, not substance. Likewise, none of the other comments appear to Sparton to be substantive in the sense that not making them does not impact the reach or enforceability of the standby trust or the



AUSTIN
DALLAS
FORT WORTH
HOUSTON
LOS ANGELES
NEW YORK

ALGIERS
LONDON
MEXICO CITY
MONTERREY



letter of credit.¹ There is, however, one important exception that if made will negatively impact NMED.

Deleting any reference in the standby trust and the letter of credit to the Consent Decree limits the reach of the financial assurance documents to the Post-Closure Care Permit. Sparton's only obligation under that permit is to maintain and protect an asphalt cap over two small surface impoundments that have been closed for many, many years. The permit provides that all other activities related to releases from the former Sparton facility are enforced under and in accordance with the Consent Decree. It is the Consent Decree, not the permit, that requires financial assurance be provided for those activities. If language related to the Consent Decree is deleted from the financial assurance documents, they will no longer cover the Consent Decree activities. I am assuming that NMED did not intend that its requested changes have that result.

The requested changes to the letter of credit will have a financial impact on Sparton without any corresponding benefit to NMED. If the letter of credit has to be changed, simply as a matter of form, the issuing bank will terminate the existing letter and issue a new letter. Sparton's experience with letters of credit is that in doing so the bank will not refund any of the fee it charged for the letter submitted and charge Sparton approximately \$75,000 to issue the new letter even though from a substance standpoint the two letters will be identical.

What makes all of this a bit frustrating is the fact that the documents Sparton submitted in October are in substance identical, except for dates, addressees, signatories, and dollar amount, to what Sparton submitted in September of 2016 (copies of that submission are attached). Neither NMED nor EPA identified any concerns with the 2016 submission and Sparton reasonably assumed that it could submit same documents, modified with current dates and the most recent estimate of future costs, in 2018. If it had known that there were concerns about the wording, it could have addressed those before purchasing the letter of credit and submitting documents in October.

Given this background, Sparton respectfully requests that NMED reconsider the need to revise what was submitted or alternatively provide Sparton until September of this year to make any changes in connection with its next submission. NMED has the legal authority to waive regulatory requirements and good cause exists to do so in this matter.²

¹ For instance, comment 6 requests that signatures be sealed. The absence of a seal does not impact the reach or enforceability of the standby trust. More problematic is the fact that Sparton does not have a seal.

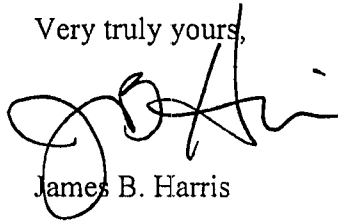
² I called your office on Monday February 25 to discuss these concerns. Because you were on vacation, I talked with Vanessa Colon, and she asked that I send her an email discussing Sparton's position, which I did on Tuesday February 26. She emailed back that day and advised I needed to explain Sparton's concerns in a formal response to your letter, which is the reason for this correspondence.

John E. Kieling
February 27, 2019
Page 3

Sparton anticipates that by September, it will no longer need to use a letter of credit and standby trusts to satisfy its financial assurance requirements under the Consent Decree as well as the regulations.

We would be happy to discuss these issues with you in more detail.

Very truly yours,

A handwritten signature in black ink, appearing to read "James B. Harris". The signature is stylized with a large initial "J" and a long horizontal stroke.

James B. Harris

cc: Vanessa Colon (vanessa.colon@state.nm.us)

NMCO COMMENTS 3, 5 & 6

TRUST AGREEMENT CREATING THE SPARTON CORPORATION
STANDBY FINANCIAL ASSURANCE TRUST

This Trust Agreement, the "Agreement," is entered into as of October 17, 2018 by and between Sparton Corporation, an Ohio Corporation, the "Grantor," and U.S. Bank National Association., the "Trustec."

applicable to the Grantor,

Whereas, the United States Environmental Protection Agency, "EPA," an agency of the United States Government, has established certain regulations requiring that an owner or operator of a hazardous waste management facility shall provide assurance that funds will be available when needed for closure and/or post-closure care of the facility, ~~which are applicable to Sparton Technology, Inc., the subsidiary of Grantor, pursuant to the consent decree styled The City of Albuquerque, et al v Sparton Technology, Inc., Civil Action No. CIV 97-0206 LHM/HG pending in the United States District Court for the District of New Mexico (the "Consent Decree")~~, to provide all or part of such financial assurance

Whereas, the Grantor has elected to establish a ~~standby trust into which the proceeds from a letter of credit may be deposited to assure all or part of such financial responsibility for the facility identified herein,~~

Whereas, the Grantor, acting through its duly authorized officers, has selected the Trustee to be the trustee under this agreement, and the Trustee is willing to act as trustee,

Now, Therefore, the Grantor and the Trustee agree as follows:

Section 1. Definitions. As used in this Agreement:

(a) The term "Grantor" means Sparton Corporation who enters into this Agreement and any successors or assigns of the Grantor.

(b) The term "Trustee" means the Trustee who enters into this Agreement and any successor Trustee.

(c) The term "EPA Regional Administrator" means the ^{her} Secretary of the New Mexico Environment ~~Regional Administrator for EPA Region VI~~ or his designee.
Department

Section 2. Identification of Facilities and Cost Estimates. This Agreement pertains to the facility and cost estimates identified on attached Schedule A.

Section 3. Establishment of Fund. The Grantor and the Trustee hereby establish a trust fund, the "Fund," for the benefit of EPA. The Grantor and the Trustee intend that no third party have access to the Fund except as herein provided. The Fund is established initially as consisting of the property, which is acceptable to the Trustee, described in Schedule B attached hereto. Such property and any other property subsequently transferred to the Trustee is referred to as the Fund, together with all earnings and profits thereon, less any payments or distributions made by

or other persons as specified by the EPA Regional Administrator from the Fund for closure and post-closure

closure and/or post-closure care of

the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount or adequacy of, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by EPA.

Closure and Post Closure Care

Section 4. Payment for ~~Work Under the Consent Decree~~. The Trustee shall make payments from the Fund as the EPA Regional Administrator shall direct, in writing, to provide for the payment of the costs of ~~the work under the Consent Decree~~ for the facility covered by this Agreement, ~~upon a demonstration satisfactory to the Trustee that Grantor has failed to faithfully perform work in accordance with the Consent Decree.~~ The Trustee shall reimburse the Grantor ~~from the Fund~~ for expenditures in connection with work under the Consent Decree in such amounts as the EPA Regional Administrator shall direct in writing. In addition, the Trustee shall refund to the Grantor such amounts as the EPA Regional Administrator specifies in writing. Upon refund, such funds shall no longer constitute part of the Fund as defined herein.

Section 5. Payments Comprising the Fund. Payments made to the Trustee for the Fund shall consist of cash or securities acceptable to the Trustee.

Section 6. Trustee Management. The Trustee shall invest and ^{solely} reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this section. In investing, reinvesting, exchanging, selling, and managing the Fund, the Trustee shall discharge his duties with respect to the trust fund in the interest of the beneficiary and with the care, skill, prudence, and diligence under the circumstances then prevailing which persons of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; *except that:*

to the extent insured by an agency of the Federal or State government

(i) Securities or other obligations of the Grantor, or any other owner or operator of the facilities, or any of their affiliates as defined in the Investment Company Act of 1940, as amended, 15 U.S.C. 80a-2.(a), shall not be acquired or held, unless they are securities or other obligations of the Federal or a State government:

(ii) The Trustee is authorized to invest the Fund in time or demand deposits of the Trustee, and

(iii) The Trustee is authorized to hold cash awaiting investment or distribution uninvested for a reasonable time and without liability for the payment of interest thereon.

Section 7. Commingling and Investment. The Trustee is expressly authorized in its discretion:

(a) To transfer from time to time any or all of the assets of the Fund to any common, commingled, or collective trust fund created by the Trustee in which the Fund is eligible to participate, subject to all of the provisions thereof, to be commingled with the assets of other trusts participating therein; and

(b) To purchase shares in any investment company registered under the Investment Company Act of 1940, 15 U.S.C. 80a-1 et seq., including one which may be created, managed,

underwritten, or to which investment advice is rendered or the shares of which are sold by the Trustee. The Trustee may vote such shares in its discretion.

Section 8. Express Powers of Trustee. Without in any way limiting the powers and discretions conferred upon the Trustee by the other provisions of this Agreement or by law, the Trustee is expressly authorized and empowered:

(a) To sell, exchange, convey, transfer, or otherwise dispose of any property held by it, by public or private sale. No person dealing with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity or expediency of any such sale or other disposition;

(b) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(c) To register any securities held in the Fund in its own name or in the name of a nominee and to hold any security in bearer form or in book entry, or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities, or to deposit or arrange for the deposit of such securities in a qualified central depository even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee of such depository with other securities deposited therein by another person, or to deposit or arrange for the deposit of any securities issued by the United States Government, or any agency or instrumentality thereof, with a Federal Reserve bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;

(d) To deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the Federal or State government; and

(e) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 9. Taxes and Expenses. All taxes of any kind that may be assessed or levied against or in respect of the Fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 10. Annual Valuation. The Trustee shall annually, at least 30 days prior to the anniversary date of establishment of the Fund, furnish to the Grantor and to the appropriate EPA Regional Administrator a statement confirming the value of the Trust. Any securities in the Fund shall be valued at market value as of no more than 60 days prior to the anniversary date of establishment of the Fund. The failure of the Grantor to object in writing to the Trustee within 90 days after the statement has been furnished to the Grantor and the EPA Regional Administrator shall constitute a conclusively binding assent by the Grantor, barring the Grantor from asserting any claim or liability against the Trustee with respect to matters disclosed in the statement.

Section 11. Advice of Counsel. The Trustee may from time to time consult with counsel, who may be counsel to the Grantor, with respect to any question arising as to the construction of this Agreement or any action to be taken hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting upon the advice of counsel.

Section 12. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing from time to time with the Grantor.

Section 13. Successor Trustee. The Trustee may resign or the Grantor may replace the Trustee, but such resignation or replacement shall not be effective until the Grantor has appointed a successor trustee and this successor accepts the appointment. The successor trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor trustee or for instructions. The successor trustee shall specify the date on which it assumes administration of the trust in a writing sent to the Grantor, the EPA Regional Administrator, and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this Section shall be paid as provided in Section 9.

Section 14. Instructions to the Trustee. All orders, requests, and instructions by the Grantor to the Trustee shall be in writing, signed by such persons as are designated in the attached Exhibit A or such other designees as the Grantor may designate by amendment to Exhibit A. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. All orders, requests, and instructions by the EPA Regional Administrator to the Trustee shall be in writing, signed by the EPA Regional Administrator, and the Trustee shall act and shall be fully protected in acting in accordance with such orders, requests, and instructions, ~~and this Agreement~~. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of the Grantor or EPA hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instructions from the Grantor and/or EPA, except as provided for herein.

Section 15. Notice of Nonpayment. The Trustee shall notify the Grantor and the appropriate EPA Regional Administrator, by certified mail within 10 days following the expiration of the 30-day period after the anniversary of the establishment of the Trust, if no payment is received from the Grantor during that period. After the pay-in period is completed, the Trustee shall not be required to send a notice of nonpayment.

Section 16. Amendment of Agreement. This Agreement may be amended by an instrument in writing executed by the Grantor, the Trustee, and the appropriate EPA Regional

Administrator, or by the Trustee and the appropriate EPA Regional Administrator if the Grantor ceases to exist.

Section 17. Irrevocability and Termination. Subject to the right of the parties to amend this Agreement as provided in Section 16, this Trust shall be irrevocable and shall continue until terminated at the written agreement of the Grantor, the Trustee, and the EPA Regional Administrator, or by the Trustee and the EPA Regional Administrator, if the Grantor ceases to exist, ~~or by notice from the Grantor that it has provided alternate financial assurance as authorized under 40 CFR Part 264, Subpart H.~~ Upon termination of the Trust, all remaining trust property, less final trust administration expenses, shall be delivered to the Grantor.

Section 18. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this Trust, or in carrying out any directions by the Grantor or the EPA Regional Administrator issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor or from the Trust Fund, or both, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

Section 19. Choice of Law. This Agreement shall be administered, construed, and enforced according to the laws of the State of Illinois.

Section 20. Interpretation. As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each Section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement.

In Witness Whereof the parties have caused this Agreement to be executed by their respective officers duly authorized and their corporate seals to be hereunto affixed and attested as of the date first above written: The parties below certify that the wording of this Agreement is identical to the wording specified in 40 CFR 264.151(a)(1) as such regulations were constituted on the date first above written, ~~except where the language has been changed to clarify that Sparton Corporation is establishing this Trust Agreement for Sparton Technology, Inc, as alternate financial assurance under the referenced Consent Decree and to clarify the obligations of the Trustee.~~

Sparton Corporation

By: Joseph G. McCormack
Joseph G. McCormack
Senior Vice President and Chief Financial Officer

Attest: Robert Grimm
Robert Grimm
Director, Finance Business Segments

need seal (SPARTON'S)

U.S. Bank National Association

By: Patricia M. Trlak
Patricia M. Trlak
Vice President
Attest: J. Allen
Vice President

need seal (BANK'S)

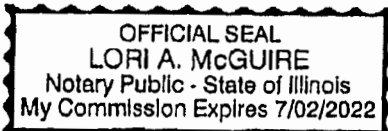
State of Illinois

County of Cook

On this _____ [date], before me personally came _____
to me known, who, being by me duly sworn, did depose and say that she/he resides at
_____ [address], that she/he is _____ [title] of
Sparton Corporation, the corporation described in and which executed the above instrument; that
she/he knows the seal of said corporation; that the seal affixed to such instrument is such
corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and
that she/he signed her/his name thereto by like order.

NEED TO
COMPLETE
RE JOE
MCCORMACK

Lori A. McGuire
[Signature of Notary Public]



SCHEDULE A

The facility is the land and improvements including all buildings currently owned by Sparton Technology, Inc. and located at 9621 Coors Road, NW, Albuquerque, Bernalillo County, New Mexico.

The current cost estimate for work under the Consent Decree is \$ 2,512,170.00

The persons that are designated to sign any written orders, requests, and instructions by the Grantor to the Trustee are:

Joseph G. McCormack
Senior Vice President and Chief Financial Officer

Steven M. Korwin
Senior Vice President, Quality and Engineering

not needed

Sparton Technology, Inc

Closed hazardous waste management facility

EPA ID NO NMD 83212332

for Post-Closure Care

SCHEDULE B


Letter of Credit No. **HACH5763260OS** in the amount of \$2,512,170.00.

EXHIBIT A

The persons that are designated to sign any written orders, requests, and instructions by the Grantor to the Trustee are:

Joseph G. McCormack
Senior Vice President and Chief Financial Officer

Steven M. Korwin
Senior Vice President, Quality and Engineering

A handwritten bracket on the right side of the page, spanning the two names listed above, with the words "NOT Needed" written next to it.

NOT
Needed

STANDBY LETTERS OF CREDIT
C/O Bank of Montreal
250 Yonge Street, 11th Floor
Toronto, Ontario M5B 2L7
Tel: 1-877-801-0414
Fax: 1-877-801-7787
SWIFT: HATRUS44

DOCUMENTARY COLLECTIONS
C/O Bank of Montreal
250 Yonge Street, 11th Floor
Toronto, Ontario, M5B 2L7
Tel: 1-888-258-6378
Fax: 1-888-258-6380
SWIFT: HATRUS44

NMED COMMENT 3 & 4

**Irrevocable
Standby Letter of Credit No.: HACH576326OS**

Date Issued: October 26, 2018

Beneficiary:
United States Environmental Protection Agency
Fountain Place, Suite 1200
1445 Ross Avenue
Dallas, TX 75202-2733
Attn: Anne Idsal
Regional Administrator
Region 6

New Mexico Environment Department
Harold L. Runnels Building
1190 St. Francis Drive
Suite N4050
Santa Fe, New Mexico 87505
Attn: Betch Tongate
Secretary

Applicant:
Sparton Corporation
425 N. Martingale Rd, Suite 1000
Schaumburg, IL 60173-2213

Amount: Two Million Five Hundred Twelve Thousand One Hundred Seventy and 00/100's United States Dollars (USD2,512,170.00)

Expiry Date: October 25, 2019 [and Sparton Corporation on behalf of Sparton Technology, Inc.]

We hereby establish our Irrevocable Standby Letter of Credit No. HACH576326OS in your favor, at the request and for the account of Sparton Corporation on behalf of Sparton Technology, Inc., up to the aggregate amount of Two Million Five Hundred Twelve Thousand One Hundred Seventy and 00/100's United States Dollars (USD2,512,170.00); available upon presentation of:

- (1) Your signed draft, bearing reference to this Letter of Credit No. HACH576326OS, and
- (2) Your signed statement reading as follows: "I certify that the amount of the draft is payable pursuant to regulations issued under authority of the Resource Conservation and Recovery Act of 1976, as amended, because Sparton Technology, Inc. is financially unable to execute its corrective action responsibilities under the Consent Decree in Civil Action No. CIV-97-0206 LH/JHG in the United States District Court for the District of New Mexico."

at least

This Letter of Credit is effective as of October 26, 2018 and shall expire on October 25, 2019, but such expiration date shall be automatically extended for a period of 1 year on October 25, 2019 and on each successive expiration date, unless, at least 120 days before the then current expiration date, we notify you by certified mail or overnight courier service, return receipt requested, that we have decided not to extend this letter of credit beyond the then current expiration date. In the event you are so notified, any unused portion of the letter of credit shall be available upon presentation of your sight draft to us prior to the then expiration date.

for 120 days after the date of receipt by both you and Sparton Corporation on behalf of Sparton Technology, Inc, as shown on the signed returned receipts.

{ and we shall deposit the amount of the draft directly into the standby trust fund of Sparton Corporation on behalf of Sparton Technology, Inc.

Whenever this Letter of Credit is drawn on under and in compliance with the terms of this Letter of Credit, we shall duly honor such draft upon presentation to us ~~and we shall effect payment~~ in accordance with your instructions.

~~We have been advised by the Applicant that this Letter of Credit is issued to provide financial assurance to United States Environmental Protection Agency as specified in 40 CFR 264.151(d) as such regulations were constituted on the date shown above.~~ immediately below.

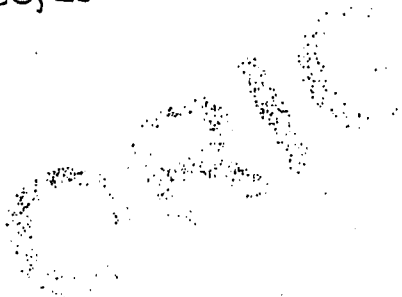
This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (2007 Revision), International Chamber of Commerce Publication No. 600 (the "UCP 600") and as to matters not covered by the UCP 600 this Letter of Credit will be subject to the Uniform Commercial Code of Illinois

Signing Officer


Authorized Signing Officer

MARINA RADMAN

Signatures and titles of officials of issuing institution
October 26, 2018



{ We certify that the wording of this letter is identical to the wording

**TRUST AGREEMENT CREATING THE SPARTON CORPORATION
STANDBY FINANCIAL ASSURANCE TRUST**

This Trust Agreement, the "Agreement," is entered into as of October 3, 2016 and between Sparton Corporation, an Ohio Corporation, the "Grantor," and U.S. Bank National Association the "Trustee."

Whereas, the United States Environmental Protection Agency, "EPA," an agency of the United States Government, has established certain regulations requiring that an owner or operator of a hazardous waste management facility shall provide assurance that funds will be available when needed for closure and/or post-closure care of the facility, which are applicable to Sparton Technology, Inc., the subsidiary of Grantor, pursuant to the consent decree styled *The City of Albuquerque, et al. v. Sparton Technology, Inc.*, Civil Action No. CIV 97 0206 LH/JHG pending in the United States District Court for the District of New Mexico (the "Consent Decree"),

Whereas, the Grantor has elected to establish a standby trust into which the proceeds from a letter of credit may be deposited to assure all or part of such financial responsibility for the facility identified herein,

Whereas, the Grantor, acting through its duly authorized officers, has selected the Trustee to be the trustee under this agreement, and the Trustee is willing to act as trustee,

Now, Therefore, the Grantor and the Trustee agree as follows:

Section 1. Definitions. As used in this Agreement:

(a) The term "Grantor" means Sparton Corporation who enters into this Agreement and any successors or assigns of the Grantor.

(b) The term "Trustee" means the Trustee who enters into this Agreement and any successor Trustee.

(c) The term "EPA Regional Administrator" means the Regional Administrator for EPA Region VI or his designee.

Section 2. Identification of Facilities and Cost Estimates. This Agreement pertains to the facility and cost estimates identified on attached Schedule A.

Section 3. Establishment of Fund. The Grantor and the Trustee hereby establish a trust fund, the "Fund," for the benefit of EPA. The Grantor and the Trustee intend that no third party have access to the Fund except as herein provided. The Fund is established initially as consisting of the property, which is acceptable to the Trustee, described in Schedule B attached hereto. Such property and any other property subsequently transferred to the Trustee is referred to as the Fund, together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as

hereinafter provided. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount or adequacy of, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by EPA.

Section 4. Payment for Work Under the Consent Decree. The Trustee shall make payments from the Fund as the EPA Regional Administrator shall direct, in writing, to provide for the payment of the costs of the work under the Consent Decree for the facility covered by this Agreement, upon a demonstration satisfactory to the Trustee that Grantor has failed to faithfully perform work in accordance with the Consent Decree. The Trustee shall reimburse the Grantor from the Fund for expenditures in connection with work under the Consent Decree in such amounts as the EPA Regional Administrator shall direct in writing. In addition, the Trustee shall refund to the Grantor such amounts as the EPA Regional Administrator specifies in writing. Upon refund, such funds shall no longer constitute part of the Fund as defined herein.

Section 5. Payments Comprising the Fund. Payments made to the Trustee for the Fund shall consist of cash or securities acceptable to the Trustee.

Section 6. Trustee Management. The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this section. In investing, reinvesting, exchanging, selling, and managing the Fund, the Trustee shall discharge his duties with respect to the trust fund in the interest of the beneficiary and with the care, skill, prudence, and diligence under the circumstances then prevailing which persons of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; *except that:*

(i) Securities or other obligations of the Grantor, or any other owner or operator of the facilities, or any of their affiliates as defined in the Investment Company Act of 1940, as amended, 15 U.S.C. 80a-2.(a), shall not be acquired or held, unless they are securities or other obligations of the Federal or a State government:

(ii) The Trustee is authorized to invest the Fund in time or demand deposits of the Trustee; and

(iii) The Trustee is authorized to hold cash awaiting investment or distribution uninvested for a reasonable time and without liability for the payment of interest thereon.

Section 7. Commingling and Investment. The Trustee is expressly authorized in its discretion:

(a) To transfer from time to time any or all of the assets of the Fund to any common, commingled, or collective trust fund created by the Trustee in which the Fund is eligible to participate, subject to all of the provisions thereof, to be commingled with the assets of other trusts participating therein; and

(b) To purchase shares in any investment company registered under the Investment Company Act of 1940, 15 U.S.C. 80a-1 et seq., including one which may be created, managed, underwritten, or to which investment advice is rendered or the shares of which are sold by the Trustee. The Trustee may vote such shares in its discretion.

Section 8. Express Powers of Trustee. Without in any way limiting the powers and discretions conferred upon the Trustee by the other provisions of this Agreement or by law, the Trustee is expressly authorized and empowered:

(a) To sell, exchange, convey, transfer, or otherwise dispose of any property held by it, by public or private sale. No person dealing with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity or expediency of any such sale or other disposition;

(b) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(c) To register any securities held in the Fund in its own name or in the name of a nominee and to hold any security in bearer form or in book entry, or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities, or to deposit or arrange for the deposit of such securities in a qualified central depository even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee of such depository with other securities deposited therein by another person, or to deposit or arrange for the deposit of any securities issued by the United States Government, or any agency or instrumentality thereof, with a Federal Reserve bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;

(d) To deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the Federal or State government; and

(e) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 9. Taxes and Expenses. All taxes of any kind that may be assessed or levied against or in respect of the Fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 10. Annual Valuation. The Trustee shall annually, at least 30 days prior to the anniversary date of establishment of the Fund, furnish to the Grantor and to the appropriate EPA Regional Administrator a statement confirming the value of the Trust. Any securities in the Fund shall be valued at market value as of no more than 60 days prior to the anniversary date of establishment of the Fund. The failure of the Grantor to object in writing to the Trustee within 90 days after the statement has been furnished to the Grantor and the EPA Regional Administrator shall constitute a conclusively binding assent by the Grantor, barring the Grantor from asserting any claim or liability against the Trustee with respect to matters disclosed in the statement.

Section 11. Advice of Counsel. The Trustee may from time to time consult with counsel, who may be counsel to the Grantor, with respect to any question arising as to the construction of

this Agreement or any action to be taken hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting upon the advice of counsel.

Section 12. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing from time to time with the Grantor.

Section 13. Successor Trustee. The Trustee may resign or the Grantor may replace the Trustee, but such resignation or replacement shall not be effective until the Grantor has appointed a successor trustee and this successor accepts the appointment. The successor trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor trustee or for instructions. The successor trustee shall specify the date on which it assumes administration of the trust in a writing sent to the Grantor, the EPA Regional Administrator, and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this Section shall be paid as provided in Section 9.

Section 14. Instructions to the Trustee. All orders, requests, and instructions by the Grantor to the Trustee shall be in writing, signed by such persons as are designated in the attached Exhibit A or such other designees as the Grantor may designate by amendment to Exhibit A. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. All orders, requests, and instructions by the EPA Regional Administrator to the Trustee shall be in writing, signed by the EPA Regional Administrator, and the Trustee shall act and shall be fully protected in acting in accordance with such orders, requests, and instructions, and this Agreement. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of the Grantor or EPA hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instructions from the Grantor and/or EPA, except as provided for herein.

Section 15. Notice of Nonpayment. The Trustee shall notify the Grantor and the appropriate EPA Regional Administrator, by certified mail within 10 days following the expiration of the 30-day period after the anniversary of the establishment of the Trust, if no payment is received from the Grantor during that period. After the pay-in period is completed, the Trustee shall not be required to send a notice of nonpayment.

Section 16. Amendment of Agreement. This Agreement may be amended by an instrument in writing executed by the Grantor, the Trustee, and the appropriate EPA Regional Administrator, or by the Trustee and the appropriate EPA Regional Administrator if the Grantor ceases to exist.

Section 17. Irrevocability and Termination. Subject to the right of the parties to amend this Agreement as provided in Section 16, this Trust shall be irrevocable and shall continue until

terminated at the written agreement of the Grantor, the Trustee, and the EPA Regional Administrator, or by the Trustee and the EPA Regional Administrator, if the Grantor ceases to exist, or by notice from the Grantor that it has provided alternate financial assurance as authorized under 40 CFR Part 264, Subpart H. Upon termination of the Trust, all remaining trust property, less final trust administration expenses, shall be delivered to the Grantor.

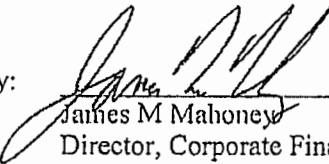
Section 18. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this Trust, or in carrying out any directions by the Grantor or the EPA Regional Administrator issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor or from the Trust Fund, or both, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

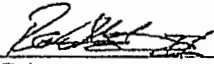
Section 19. Choice of Law. This Agreement shall be administered, construed, and enforced according to the laws of the State of Illinois.

Section 20. Interpretation. As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each Section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement.

In Witness Whereof the parties have caused this Agreement to be executed by their respective officers duly authorized and their corporate seals to be hereunto affixed and attested as of the date first above written: The parties below certify that the wording of this Agreement is identical to the wording specified in 40 CFR 264.151(a)(1) as such regulations were constituted on the date first above written except where the language as been changed to clarify that Sparton Corporation is establishing this Trust Agreement for Sparton Technology, Inc, as alternate financial assurance under the referenced Consent Decree and to clarify the obligations of the Trustee.

Sparton Corporation

By: 
James M Mahoney
Director, Corporate Finance & Assistant Secretary

Attest: 
Robert Grimm
Director, Finance Business Segments

U.S. Bank National Association

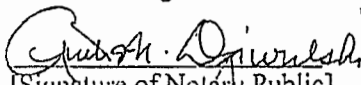
By: _____
Patricia M. Trlak
Vice President

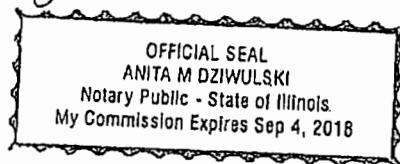
Attest: _____
Vice President

State of Illinois

County of Cook

On this 10/3/16 [date], before me personally came JAMES M MAHONEY
to me known, who, being by me duly sworn, did depose and say that she/he resides at
925 CONCORD LN, HOFFMAN ESTATES, IL [address], that she/he is ASST SECRETARY [title] of
Sparton Corporation, the corporation described in and which executed the above instrument; that
she/he knows the seal of said corporation; that the seal affixed to such instrument is such
corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and
that she/he signed her/his name thereto by like order.


[Signature of Notary Public]

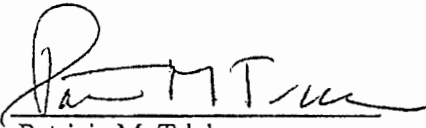


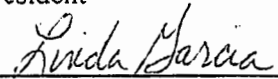
Sparton Corporation

By: _____
Joseph G. McCormack
Senior Vice President and Chief Financial Officer

Attest: _____
Director, Corporate Finance

U.S. Bank National Association

By: 
Patricia M. Trlak
Vice President

Attest: 
Vice President

State of Illinois

County of Cook

On this _____ [date], before me personally came _____
to me known, who, being by me duly sworn, did depose and say that she/he resides at
_____ [address], that she/he is _____ [title] of
Sparton Corporation, the corporation described in and which executed the above instrument; that
she/he knows the seal of said corporation; that the seal affixed to such instrument is such
corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and
that she/he signed her/his name thereto by like order.

[Signature of Notary Public]

SCHEDULE A

The facility is the land and improvements including all buildings currently owned by Sparton Technology, Inc. and located at 9621 Coors Road, NW, Albuquerque, Bernalillo County, New Mexico.

The current cost estimate for work under the Consent Decree is \$ 3,113,730.00

The persons that are designated to sign any written orders, requests, and instructions by the Grantor to the Trustee are:

Joseph G. McCormack
Senior Vice President and Chief Financial Officer

Steven M. Korwin
Senior Vice President, Quality and Engineering

James Mahoney
Director, Corporate Finance and Assistant Secretary

SCHEDULE B

Letter of Credit No. HACH512505OS in the amount of \$3,113,730.00.

EXHIBIT A

The persons that are designated to sign any written orders, requests, and instructions by the Grantor to the Trustee are:

Joseph G. McCormack
Senior Vice President and Chief Financial Officer

Steven M. Korwin
Senior Vice President, Quality and Engineering

James Mahoney
Director, Corporate Finance and Assistant Secretary

**Irrevocable
Standby Letter of Credit No.: HACH512505OS**

Date Issued: October 3, 2016

Beneficiary:
United States Environmental Protection Agency
Fountain Place, Suite 1200
1445 Ross Avenue
Dallas, TX 75202-2733
Attn. Ron Curry
Regional Administrator
Region 6

Applicant:
Sparton Corporation
425 N. Martingale Rd, Suite 1000
Schaumburg, IL 60173-2213

Amount: Three Million One Hundred Thirteen Thousand Seven Hundred Thirty and 00/100's United States Dollars (USD3,113,730.00)

Dear Sir or Madame:

We hereby establish our Irrevocable Standby Letter of Credit No. HACH512505OS in your favor, at the request and for the account of Sparton Corporation on behalf of Sparton Technology, Inc., up to the aggregate amount of Three Million One Hundred Thirteen Thousand Seven Hundred Thirty and 00/100's United States Dollars (USD3,113,730.00), available upon presentation of:

- (1) Your signed draft, bearing reference to this Letter of Credit No. HACH512505OS, and
- (2) Your signed statement reading as follows: "I certify that the amount of the draft is payable pursuant to regulations issued under authority of the Resource Conservation and Recovery Act of 1976, as amended, because Sparton Technology, Inc. is financially unable to execute its corrective action responsibilities under the Consent Decree in Civil Action No. CIV 97 0206 LH/JHG in the United States District Court for the District of New Mexico."

This Letter of Credit is effective as of October 3, 2016 and shall expire on October 3, 2017, but such expiration date shall be automatically extended for a period of 1 year on October 3, 2017 and on each successive expiration

date, unless, at least 120 days before the then current expiration date, we notify you by certified mail or overnight courier service, return receipt requested, that we have decided not to extend this letter of credit beyond the then current expiration date. In the event you are so notified, any unused portion of the letter of credit shall be available upon presentation of your sight draft to us prior to the then expiration date.

Whenever this Letter of Credit is drawn on under and in compliance with the terms of this Letter of Credit, we shall duly honor such draft upon presentation to us and we shall effect payment in accordance with your instructions.

We have been advised by the Applicant that this Letter of Credit is issued to provide financial assurance to United States Environmental Protection Agency as specified in 40 CFR 264.151(d) as such regulations were constituted on the date shown above.

This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (2007 Revision), International Chamber of Commerce Publication No. 600 (the "UCP 600") and as to matters not covered by the UCP 600 this Letter of Credit will be subject to the Uniform Commercial Code of Illinois

Signing Officer

Authorized Signing Officer