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June 14, 1995

Richard Virtue
Taichert, Wiggins, Virtue & Najjar
P.O. Box 4265
Santa Fe, NM 87502-4265

Re: Sparton Technology, Inc.

Dear Mr. Virtue:

This letter is in response to your May 5, 1995 letter to Ed Kelley and Marcy Leavitt. In the intervening time since your letter, I have reviewed the documents you enclosed including the Agreement in Principle (AIP) between Sparton and NMED, and the New Mexico Environment Department (NMED) met with the Environmental Protection Agency (EPA).

Over the years, NMED has relied on EPA's Consent Order for corrective action at Sparton Technology's Coors Road Facility in Albuquerque. However, the RCRA Corrective Action process has proceeded at what NMED considers a very slow rate. Significant groundwater contamination has continued to expand downgradient horizontally, and probably vertically, with little measurable cleanup being accomplished to date. Cleanup at comparable facilities in Bernalillo County have proceeded much more efficiently and rapidly than the one at Sparton Technology.

In reading the AIP, it appears that NMED agreed not to pursue civil penalties against Sparton for not obtaining an approved discharge plan. See paragraph VIII of the AIP. It does not appear that the AIP would prevent the State from requesting injunctive relief for compliance with New Mexico laws and penalties for other non-permit violation of state laws. I do not agree with the broad statement in your May 5 letter that EID effectively turned the matter over to EPA so long as New Mexico's groundwater standards are used as the remediation standard. Additionally, NMED is in strong disagreement with your technical response conducted by Pierce Chandler of Black & Veatch. Attached is Rob Pine's memorandum addressing some of Mr. Chandler's comments.

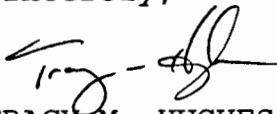
Regardless, NMED is working closely with EPA so that Sparton conducts just one cleanup. We clearly think that this can be accomplished. With EPA's Statement of Basis soon to be released, NMED's request for characterization of contamination can be

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consolidated into Sparton's RCRA Corrective Action remedy. Upon EPA's selection of a remedy, the EPA Consent Order terminates, the AIP along with it, and the EPA final remedy is implemented either through a Corrective Measures Implementation (CMI) Administrative Order on Consent, a CMI Unilateral Administrative Order, a 3008(h) Order, or a Post-Closure permit issued jointly by EPA and NMED.

It is my opinion that NMED has all of its regulatory police powers available should the need arise and this matter cannot be amicably resolved in a timely manner. As you can see, our respective clients' view of the facts are quite different. Hopefully, this entire matter can be resolved expeditiously through EPA's selected remedy.

Sincerely,



TRACY M. HUGHES
General Counsel

Enclosure(s)

cc: Benito Garcia
Marcy Leavitt