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April 3, 1996

VIA FACSIMILE

Mr. Evan L. Pearson
U.S. Environmental Protection Agency
Region 6
1445 Ross Avenue
Dallas, TX 75202

Re: Sparton Technology Incorporated, AOC
Docket No. VI-004(h)-87-H

Dear Evan:

This letter is a follow-up to our conversation of today, in which I discussed with you concerns Sparton Technology Inc., ("Sparton") has about EPA's decision to grant it only a thirty (30) day extension to submit a final CMS, instead of the sixty (60) days requested. As I told you, Sparton will attempt to have the final CMS finished by the day specified by EPA. Nevertheless, there may be any number of developments that could prevent us from achieving that goal. We are hopeful that discussions with the technical staff of the agency, within the next week, will allow us to have a better feel for our ability to meet the May 6, 1996, deadline. I suggest that we periodically check with you to assess our progress towards completion of the final CMS within the time period EPA has now specified.

Because of our uncertainty about our ability to provide a final CMS that addresses all of the issues raised by EPA within the time frame provided, Sparton has no choice but to invoke the dispute resolution procedure in paragraph IV.F of the AOC. At this time, the specific point in dispute is EPA's March 20, 1996, decision not to recognize that a force majeure event exists with respect to completing the CMS revisions. Sparton's position is that the finding of a force majeure event is consistent with the AOC'S requirements.

The basis of our position is largely set forth in Sparton's March 18, 1996, letter, as well as Sparton's March 25, 1996, correspondence.

I understand EPA's position on Sparton's identification of a force majeure event to be that the extent of EPA's March 1, 1996, comments should have been foreseeable to us. Sparton fully expected that its November 6, 1995, letter would be critically reviewed by EPA, and should have resulted in a modification of EPA's position. Additionally, while we were

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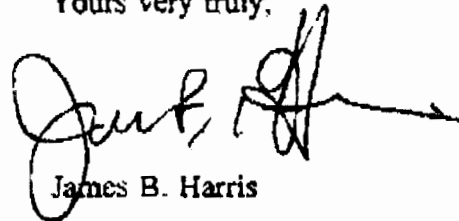
present at the public hearing, it was not at all clear to us how EPA would evaluate the information presented to it. Moreover, none of the written material submitted to EPA as part of the public hearing process was available to us until March 7, 1996. In short, Sparton disagrees that the extent of EPA's comments were foreseeable.

Additionally, there is simply no way that Sparton could have predicted the exact wording of the comments from EPA, or the level of effort that would be required to respond. Obviously such a determination could only be made once we actually received the comments. Until we received those specific comments, it was impossible to know what archived material might have to be retrieved. Moreover, EPA's response to our point about turn over of employees misses the mark. The simple fact is that there was nothing we could do about employees who had worked on the project, that were no longer available, other than to go through the time consuming and expensive process of having other employees review the entire record. Such an exercise is not only highly inefficient but counterproductive until the specific areas of concern have been identified. Therefore, it is unclear to Sparton how it could have addressed the loss of contractor employees who had worked on this matter prior to receipt of EPA's comments.

We are continuing to evaluate the agency's March 29, 1996, letter granting us a thirty (30) day extension. Pierce Chandler, technical consultant to Sparton, is currently obtaining clarification on the level of effort EPA expects. The March 29, 1996, letter, at least on a first review, seems inconsistent with the March 1, 1996, comments, and the level of effort required by those comments. Once we have resolved our questions, we may also need to invoke formal dispute resolution with respect to the agency's March 29, 1996, letter.

If you should have any questions about this letter, please do not hesitate to contact me.

Yours very truly,



James B. Harris

JBH/eshd

cc: Richard D. Mico
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