



FAX TRANSMISSION SHEET

U.S. EPA, REGION 6 COMPLIANCE ASSURANCE AND ENFORCEMENT DIVISION HAZARDOUS WASTE ENFORCEMENT BRANCH TECHNICAL SECTION

TRANSMISSION DATE: August 11, 2000

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Number of Pages (including cover sheet): 2 If all pages were not received, please contact the sender.

COMMENTS:

Carl,

Attached is the page from the SEC 10-Q report that is referenced in the comment that I sent to you by email earlier today. As indicated in the comment, I would include this in the comment package that we would transmit to Sparton.

Thanks, Hebert

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Shareowners' equity includes accumulated other comprehensive losses of \$109,000 and \$71,000 at March 31, 2000, and June 30, 1999, respectively, which relate to unrealized losses on investments.

5. Cash and cash equivalents consist of demand deposits and other highly liquid investments with an original maturity date of less than three months. A large majority of the investment portfolio has an original maturity date of less than two years and a daily market exists for all the investment securities. The Company believes that the impact of fluctuations in interest rates on its investment portfolio should not have a material impact on financial position or results of operations. It is the Company's intention to use these investment securities to provide working capital and to otherwise fund the expansion of its business.

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At March 31, 2000, the Company had net unrealized losses of \$175,000. At that date, the net after-tax effect of these losses was \$109,000 and included in equity. For the nine months ended March 31, 2000 and 1999, the Company had sales of investment securities totaling \$13,923,000 and \$8,740,000, respectively. There were no purchases of investment securities for the nine months ended March 31, 2000. Gross purchases of investment securities totaled \$7,534,000 for the same period last year.

6. One of Sparton's facilities, located in Albuquerque, New Mexico, has been the subject of ongoing investigations conducted with the United States Environmental Protection Agency (EPA) under the Resource Conservation and Recovery Act (RCRA). This EPA compliance issue is related to continuing operations, but involves a largely idled facility. The investigation began in the early 1980's and involved a review of on-site and off-site environmental impacts.

On January 18, 2000, a Consent Decree was lodged with the Federal District Court in Albuquerque that resolved all disputes related to the Final Administrative Order dated February 10, 1998. As a result of the execution of the Consent Decree, the Company revised its estimate of the future minimum costs expected to be incurred, as well as the time period involved. The change in estimate resulted in a \$10,000,000 pre-tax charge to operations in December 1999.

At March 31, 2000, Sparton has an accrual of \$9,417,000 as its estimate of the future undiscounted minimum financial liability for remediation. This balance is after payment of \$1,675,000, in March, 2000, to resolve claims for damages to natural resources, civil penalties and costs, which were paid to various governmental agencies as part of the final terms of the Consent Decree. Cash expenditures for remediation activities are expected to be incurred over the next thirty years. The accrual reflects the Company's estimate of the minimum amount it will incur under the agreed upon work plans. The Company's cost estimate is based upon existing technology and excludes legal and related consulting costs. The Company's estimate includes equipment and operating costs for on-site and off-site pump and treat containment systems, a soil vapor extraction program and continued on-site and off-site monitoring and is based on existing methodology. Legal and related consulting costs are expensed as incurred.

Uncertainties associated with environmental remediation contingencies are pervasive and often result in wide ranges of reasonably possible outcomes. Estimates developed in the early stages of remediation can vary significantly. Normally a finite estimate of cost does not become fixed and determinable at a specific point in time. Rather, the costs associated with environmental remediation become estimable over a continuum of events and activities that help to frame and define a liability.

Factors which cause uncertainties for the Company include, but are not limited to, the effectiveness of the current work plans in achieving targeted results and proposals of regulatory agencies for desired methods and outcomes. It is possible that cash flows and results of operations could be affected by the