

Sparton Corp

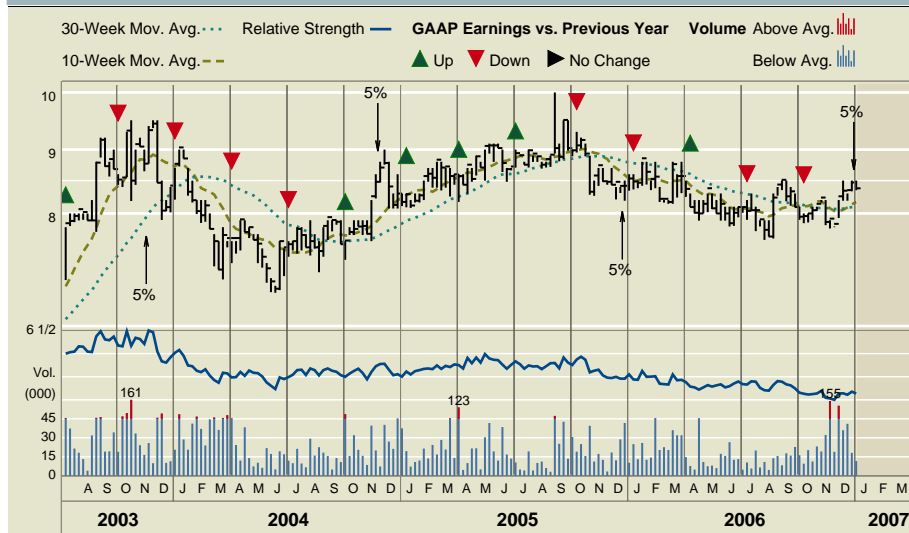
GICS Sector Industrials
Sub-Industry Aerospace & Defense

Summary This company develops and manufactures electronic parts and assemblies for government and commercial customers worldwide.

Key Stock Statistics (Source S&P, company reports, Vickers)

| | | | | | | | |
|--------------------------|--------------------|-------------------------|---------------|--------------------------|-----------------|-----------------------------|----------------|
| Price as of Dec 29, 2006 | \$8.38 | Dividend Rate/Share | \$0.36 | \$10K Invested 5 Yrs Ago | \$15,888 | Total Shares Outstg. (M) | 9.8 |
| 52-Wk Range | \$8.86-7.62 | Trailing 12-Month P/E | NM | Beta | 0.15 | Market Capitalization(B) | \$0.082 |
| Trailing 12-Month EPS | \$-0.11 | Tangible Book Val/Share | \$7.54 | Yield (%) | 4.30 | Institutional Ownership (%) | 23 |

Price Performance



Quantitative Evaluations

S&P Quality Ranking **B-**

| | | | | | | | |
|---|---|-----------|---|----|----|---|----|
| D | C | B- | B | B+ | A- | A | A+ |
|---|---|-----------|---|----|----|---|----|

S&P Fair Value Rank **NR**

| | | | | |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|

LOWEST HIGHEST

Fair Value Calculation **NA**

Insider Activity **Favorable**

| | | |
|-------------|---------|------------------|
| UNFAVORABLE | NEUTRAL | FAVORABLE |
|-------------|---------|------------------|

Volatility **Low**

| | | |
|-----|---------|------|
| LOW | AVERAGE | HIGH |
|-----|---------|------|

Technical Evaluation **BULLISH**

Since December, 2006, the technical indicators for SPA have been BULLISH.

Relative Strength Rank **MODERATE**

| |
|----|
| 54 |
|----|

LOWEST = 1 HIGHEST = 99

S&P Analyst **Mark Schwiebert**

Operational Review December 06, 2006

Income Statement Analysis & Financial Review

Revenues for the three months ended September 30, 2006, were \$48.3 million, vs. \$37.3 million in the prior year, advancing 30%. The gross margin narrowed 70%, despite the higher revenues. Selling, general & administrative expenses rose 8%, and the fiscal year-to-date operating loss was \$3.6 million, vs. a loss of \$2.3 million. The company reported a pretax loss of \$3.6 million, vs. a loss for the quarter last year of \$1.9 million. Income taxes were a benefit of \$1.2 million, against a benefit of \$0.6 million for the prior-year period. The first quarter net loss was \$2.5 million (\$0.25 a share), vs. a loss of \$1.3 million (\$0.13 a share) in the 2005 quarter.

Key Operating Information

For the three months ended September 30, 2006, cash and cash equivalents decreased \$1.3 million, to \$6.2 million. Operating activities used \$5.1 million in the first quarter and provided \$1 million last year, in net cash flows. The primary use of cash was for operations and an increase in inventory. The increase in inventory was due to a buildup related to new customer contracts, as well as a delay in some customers' schedules.

At September 30, 2006, the aggregate government funded EMS backlog was approximately \$38 mil-

lion, down from \$41 million at June 30, 2006. A majority of the September 30, 2006, backlog is expected to be realized in the next 12-15 months.

Recent Developments

In May 2006, the company acquired Strongsville, OH-based Astro Instrumentation, LLC, for about \$26.2 million. Additional consideration may be paid to the sellers over the next four years based on a percentage of earnings before interest and taxes. Astro, with sales of about \$34 million in 2005, designs, manufactures and sells a variety of specialized medical products, generally involving high-quality medical laboratory test equipment.

For the fiscal year ended June 30, 2006, the company repurchased about 39,000 common shares for approximately \$363,000 under its stock repurchase program; it remained authorized to purchase about \$3.2 million of additional shares at June 30, 2006.

Revenue/Earnings Data

Revenue (Million \$)

| | 1Q | 2Q | 3Q | 4Q | Year |
|------|-------|-------|-------|-------|-------|
| 2007 | 48.32 | -- | -- | -- | -- |
| 2006 | 37.31 | 37.69 | 45.30 | 50.50 | 170.8 |
| 2005 | 45.19 | 34.53 | 41.56 | 45.88 | 167.2 |
| 2004 | 36.42 | 33.24 | 43.57 | 47.77 | 161.0 |
| 2003 | 36.77 | 43.28 | 40.84 | 48.97 | 169.9 |
| 2002 | 40.81 | 41.07 | 34.97 | 32.83 | 149.7 |

Earnings Per Share (\$)

| | 1Q | 2Q | 3Q | 4Q | Year |
|------|-------|-------|------|------|-------|
| 2007 | -0.24 | -- | -- | -- | -- |
| 2006 | -0.13 | 0.02 | 0.08 | 0.05 | 0.01 |
| 2005 | 0.25 | 0.05 | 0.03 | 0.50 | 0.83 |
| 2004 | -0.22 | -0.16 | 0.02 | 0.16 | -0.21 |
| 2003 | 0.37 | 0.22 | 0.07 | 0.25 | 0.92 |
| 2002 | 0.08 | 0.05 | 0.05 | 0.11 | 0.30 |

Fiscal year ended Jun. 30. Next earnings report expected: Early February

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

| Amount (\$) | Date Decl. | Ex-Div. Date | Stk. of Record | Payment Date |
|-------------|------------|--------------|----------------|--------------|
| 5% | 10/26 | 12/19 | 12/21 | 01/13/06 |
| 5% | 10/25 | 12/22 | 12/27 | 01/19/07 |

Dividends have been paid since 2005. Source: Company reports.

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Sparton Corp



Business Summary December 06, 2006

Sparton Corp., which traces its roots back to 1900, when it made ferrules and small steel parts for agricultural implements, today operates in one line of business, electronic manufacturing services (EMS). Products and services include complete "Box Build" products for OEMs, microprocessor-based systems, transducers, printed circuit boards and assemblies, sensors, and electromechanical devices for the medical/scientific instrumentation, electronics, aerospace, government, and other industries, as well as engineering services related to these product sales.

Historically, SPA's principal electronics product has been sonobuoys, which are antisubmarine warfare (ASW) devices used by the U.S. Navy and other free world military organizations. The company competes with a very limited number of qualified manufacturers for sonobuoy procurements by the U.S. and select foreign governments. Contracts are obtained through competitive bid or directed procurement.

The company is focusing on substantially expanding sales in the high-mix, low to medium volume non-sonobuoy EMS markets. High-mix describes customers needing multiple product types with generally low volume manufacturing runs. This is where the company expects substantial future revenue growth to occur, with an emphasis on government, aerospace, medical/scientific instrumentation, and industrial markets. Many of the physical and technical attributes used in the production of electronics for sonobuoys are also required in the production of commercial electronics products. SPA's EMS business includes the design and/or manufacture of a variety of electronic and electromechanical products and assemblies. Sales are generally obtained on a competitive basis. Competitive factors include technical ability, customer service, product quality, timely delivery and price.

Total direct sales on prime contracts to U.S. government agencies accounted for 22% of FY 06 (Jun.) revenues. Sales to Bally and Honeywell accounted for 20% and 19%, respectively, of revenues. Sales of ASW devices and related engineering contract services contributed 22%, 16% and 23% of total sales in FY 06, FY 05 and FY 04, respectively.

The U.S. Navy is one of SPA's largest customers. The company believes that the loss of U.S. government sonobuoy sales would have a material adverse financial effect. It also believes that the loss of any one of several other customers, including Honeywell and Bally (each with sales in excess of 10%) could have a significant but less dramatic financial impact. SPA continues to increase its non-sonobuoy EMS sales, with the objective of expanding its customer base and reducing customer concentration. The company believes the May 2006 acquisition of Astro Instrumentation, an EMS provider that designs and manufactures a variety of specialized medical products, will further expand its customer base.

At June 30, 2006 and 2005, the government funded backlog was about \$41 million and \$42 million, respectively. SPA expected a majority of the year-end FY 06 backlog to be realized in the next 12 to 15 months.

In May 2006, SPA signed a membership purchase agreement and completed the acquisition of Astro Instrumentation, LLC, an EMS provider that designs and manufactures a variety of specialized medical products, generally involving high-quality medical laboratory test equipment. The acquisition furthered the company's strategy of identifying, evaluating and purchasing potential acquisition candidates in both the defense and medical device markets. The company believes the acquisition of Astro will favorably position Sparton within the medical market to attract and expand its customer base. Astro operates from a 40,000 square foot facility in an industrial park. A 20,000 square foot addition to the facility was under construction as of year-end FY 06.

In May 2005, the company's Vietnam based subsidiary, Spartronics, began regular production. SPA anticipates this facility, located just outside of Ho Chi Minh City, to provide increased growth opportunities for the company, in existing as well as new markets. Spartronics is a full service manufacturing facility, providing an offshore option for customers requesting this type of production facility.

In the FY 03 first quarter, SPA reached a settlement with the U.S. Department of Energy (DOE) and others to recover past EPA remediation costs incurred in its investigation and remediation efforts at one of its former manufacturing facilities, located in Albuquerque, NM (the Coors Road facility). It received \$4.85 million in FY 03, and another \$1 million in the FY 04 first quarter. In addition, the DOE agreed to reimburse 37.5% of the company's future environmental remediation expenses in excess of \$8.4 million incurred at the site.

In June 2005, SPA reached a settlement with previous insurance carriers to recover a portion of the past costs that the company incurred in its investigation and site remediation efforts at the Coors Road facility. Under the terms of the settlement, the company received a cash payment of \$5.5 million in July 2005, which was recorded as income in the FY 05 fourth quarter.

Corporate Information

Office
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Telephone
517-787-8600.

Fax
517-787-1822.

Website
<http://www.sparton.com>

Officers

| | |
|--|---|
| Chrmn B.O. Smith | SVP, CFO & Treas R.L. Langley |
| Pres & CEO D.W. Hockenbrocht | Secy & Cntrl J.S. Lerczak |

COO & EVP
D.E. Johnson

Board of Directors

J. N. DeBoer
J. D. Fast
D. W. Hockenbrocht
R. J. Johns
R. L. Langley
D. P. Molfenter
W. I. Noecker
W. P. Slusser
B. O. Smith

Domicile
Ohio

Founded
1916

Employees
1,200

Stockholders
503

Spartan Corp



| Key Stock Statistics | | | | | | | | | |
|--------------------------|--------------------|-------------------------|---------------|--------------------------|-----------------|-----------------------------|----------------|--|--|
| Price as of Dec 29, 2006 | \$8.38 | Dividend Rate/Share | \$0.36 | \$10K Invested 5 Yrs Ago | \$15,888 | Total Shares Outstg. (M) | 9.8 | | |
| 52-Wk Range | \$8.86-7.62 | Trailing 12-Month P/E | NM | Beta | 0.15 | Market Capitalization(B) | \$0.082 | | |
| Trailing 12-Month EPS | \$-0.11 | Tangible Book Val/Share | \$7.54 | Yield (%) | 4.30 | Institutional Ownership (%) | 23 | | |

| Key Growth Rates and Averages | | | | | Expanded Ratio Analysis | | | | |
|-------------------------------------|---------------|----------------|----------------|----------------|--|-------------|-------------|-------------|-------------|
| Past Growth Rate (%) | 1 Year | 3 Years | 5 Years | 9 Years | | 2006 | 2005 | 2004 | 2003 |
| Sales | 2.18 | 0.54 | -0.55 | 2.12 | Price/Revenue | 0.48 | 0.50 | 0.49 | 0.50 |
| Net Income | -98.79 | NM | -69.44 | -35.30 | Price/EBITDA | NM | 12.69 | NM | 6.51 |
| | | | | | Price/Pretax Income | NM | 7.38 | NM | 6.92 |
| | | | | | Price/Net Income | NM | 10.33 | NM | 9.42 |
| Ratio Analysis (Annual Avg.) | | | | | Avg. Diluted Shares Outstg (M) | 9.8 | 9.8 | 9.7 | 9.8 |
| Net Margin (%) | 0.06 | 1.21 | 2.18 | 1.21 | Figures based on calendar year-end price | | | | |
| LTD of Capitalization (%) | 14.19 | 4.73 | 2.84 | 1.58 | | | | | |
| Return on Equity (%) | 0.10 | 2.18 | 4.12 | 2.17 | | | | | |

| Company Financials | | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Per Share Data (\$) Year Ended Jun. 30 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
| Tangible Book Value | 7.54 | 9.98 | 9.19 | 9.44 | 8.46 | 8.23 | 7.91 | 8.76 | 8.85 | 8.54 |
| Cash Flow | 0.22 | 1.01 | -0.03 | 1.09 | 0.48 | 0.37 | -0.60 | 0.39 | 0.62 | 0.38 |
| Earnings | 0.01 | 0.83 | -0.21 | 0.92 | 0.30 | 0.16 | -0.84 | -0.17 | 0.43 | 0.23 |
| Dividends | 0.09 | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Payout Ratio | NM | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Prices:High | 8.86 | 10.08 | 9.07 | 9.58 | 7.37 | 5.95 | 4.95 | 5.83 | 8.13 | 11.17 |
| Prices:Low | 7.62 | 8.08 | 6.91 | 5.99 | 5.41 | 3.04 | 2.79 | 3.53 | 4.31 | 5.88 |
| P/E Ratio:High | NM | 12 | NM | 10 | 25 | 36 | NM | NM | 19 | 49 |
| P/E Ratio:Low | NM | 10 | NM | 7 | 18 | 18 | NM | NM | 10 | 26 |

| Income Statement Analysis (Million \$) | | | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue | 171 | 167 | 161 | 170 | 150 | 188 | 162 | 132 | 146 | 143 |
| Operating Income | 0.36 | 6.60 | -3.41 | 13.0 | 5.69 | 4.05 | -11.3 | 4.15 | 6.05 | 4.78 |
| Depreciation | 2.11 | 1.73 | 1.76 | 1.67 | 1.66 | 1.91 | 2.37 | 2.10 | 1.87 | 1.50 |
| Interest Expense | 0.10 | Nil | Nil | Nil | Nil | Nil | Nil | Nil | 0.03 | 0.89 |
| Pretax Income | -0.29 | 11.4 | -4.18 | 12.2 | 4.07 | 2.65 | -12.3 | 3.50 | 6.51 | 3.61 |
| Effective Tax Rate | NM | 28.6% | NM | 26.5% | 28.0% | 38.9% | NM | 50.8% | 33.5% | 38.0% |
| Net Income | 0.10 | 8.11 | -2.04 | 8.99 | 2.93 | 1.62 | -8.41 | 1.76 | 4.33 | 2.24 |

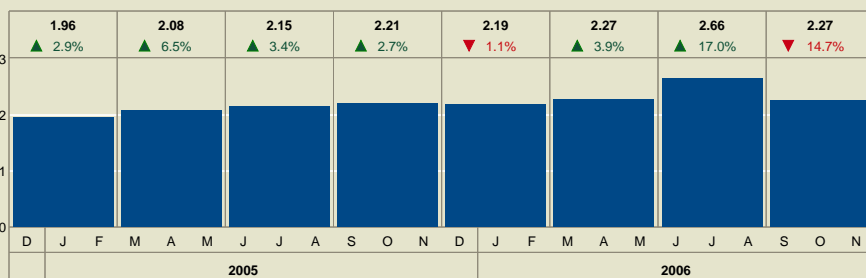
| Balance Sheet & Other Financial Data (Million \$) | | | | | | | | | | |
|---|------|------|-------|------|------|------|-------|------|------|------|
| Cash | 7.50 | 9.37 | 10.8 | 10.6 | 8.69 | 13.0 | 5.05 | 4.00 | 4.08 | 8.02 |
| Current Assets | 99.6 | 102 | 91.4 | 96.0 | 84.1 | 86.5 | 86.3 | 86.2 | 95.5 | 96.0 |
| Total Assets | 150 | 129 | 114 | 116 | 102 | 108 | 109 | 108 | 115 | 114 |
| Current Liabilities | 31.4 | 26.1 | 19.0 | 18.0 | 13.4 | 20.5 | 21.6 | 17.7 | 24.4 | 27.2 |
| Long Term Debt | 16.0 | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Common Equity | 96.9 | 97.2 | 88.9 | 91.2 | 81.6 | 79.5 | 79.1 | 87.5 | 88.4 | 85.2 |
| Total Capital | 113 | 97.2 | 88.9 | 91.2 | 81.6 | 79.6 | 79.1 | 90.5 | 90.9 | 86.8 |
| Capital Expenditures | 1.03 | 6.23 | 6.11 | 0.73 | 0.70 | 0.62 | 2.40 | 4.08 | 4.08 | 2.13 |
| Cash Flow | 2.21 | 9.84 | -0.28 | 10.7 | 4.59 | 3.53 | -6.04 | 3.86 | 6.20 | 3.74 |
| Current Ratio | 3.2 | 3.9 | 4.8 | 5.3 | 6.3 | 4.2 | 4.0 | 4.9 | 3.9 | 3.5 |
| % Long Term Debt of Capitalization | 14.2 | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| % Net Income of Revenue | NM | 4.9 | NM | 5.3 | 2.0 | 0.9 | NM | 1.3 | 3.0 | 1.6 |
| % Return on Assets | NM | 6.7 | NM | 8.2 | 2.8 | 1.5 | NM | 1.6 | 3.8 | 2.0 |
| % Return on Equity | NM | 8.7 | NM | 10.4 | 3.6 | 2.0 | NM | 2.0 | 5.0 | 3.3 |

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Sparton Corp

Institutional Holdings

Shares Held by All Institutions (M)



Company Details

| | |
|--------------------------------|--------|
| Primary Shares Outstanding (M) | 9.8 |
| Market Capitalization (M) | \$82.3 |
| Price as of 12/28/06 | \$8.49 |
| Institutional Ownership (%) | 23 |

Institutional Holdings Analysis as of 12/15/06

| | Holders | Shares (000) |
|---------------------|---------|--------------|
| Total Shares Held | 16 | 2,268 |
| New Positions | 1 | 0 |
| Increased Positions | 5 | 17 |
| Decreased Positions | 4 | 409 |

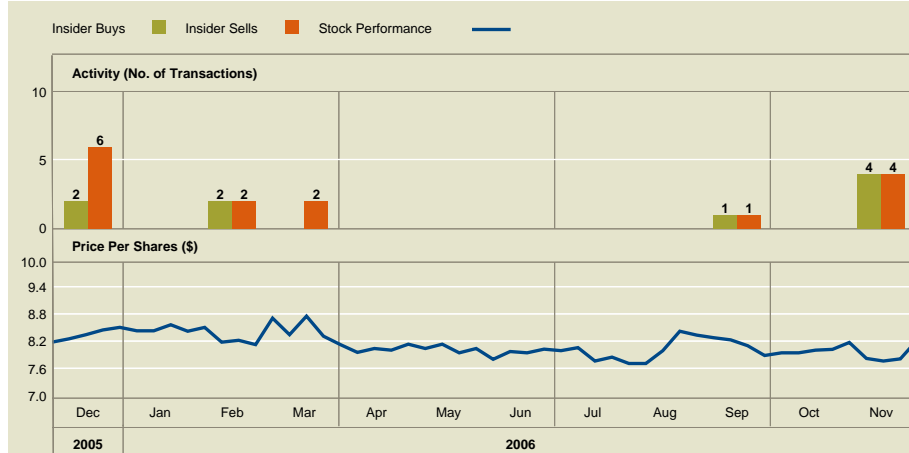
Top Ten Institutional Holders (excluding Mutual Funds)

| Holder | Reported | Shares (000) | % Shares Outstg. | % Change from Prev. Period | Current Mkt. Value (000\$) |
|---|----------|--------------|------------------|----------------------------|----------------------------|
| DIMENSIONAL FUND ADVISORS INC | Sep '06 | 565 | 5.75 | 0.52 ▲ | 4,794 |
| ROYCE & ASSOCIATES, INC. | Sep '06 | 492 | 5.01 | 0.54 ▲ | 4,179 |
| SMITH (DONALD) & COMPANY INC. | Sep '06 | 330 | 3.36 | Nil | 2,801 |
| SCHWARTZ INVESTMENT COUNSEL, INC. | Sep '06 | 259 | 2.64 | Nil | 2,199 |
| FRANKLIN RESOURCES, INC | Sep '06 | 254 | 2.59 | Nil | 2,160 |
| PERRITT CAPITAL MANAGEMENT, INC. | Sep '06 | 105 | 1.07 | Nil | 895 |
| WACHOVIA CORP NEW | Sep '06 | 67.1 | 0.68 | 2.14 ▲ | 570 |
| COMERICA, INC. | Sep '06 | 55.6 | 0.57 | Nil | 472 |
| CALPERS (CALIFORNIA-PUBLIC EMPLOYEES RETIREMENT SYSTEM) | Sep '06 | 38.4 | 0.39 | Nil | 326 |
| NORTHERN TRUST CORPORATION | Sep '06 | 35.7 | 0.36 | Nil | 303 |
| Total | | 2,202 | 22.42 | 0.32 ▲ | 18,699 |

Top Ten Mutual Fund Holders

| Holder | Reported | Shares (000) | % Shares Outstg. | % Change from Prev. Period | Current Mkt. Value (000\$) |
|--|----------|--------------|------------------|----------------------------|----------------------------|
| ROYCE OPPORTUNITY FUND | Sep '06 | 376 | 3.83 | Nil | 3,192 |
| FRANKLIN VALUE INVESTORS TRUST-FRANKLIN MICROCAP VALUE F | Jul '06 | 254 | 2.59 | Nil | 2,160 |
| AVE MARIA CATHOLIC VALUES FUND | Sep '06 | 177 | 1.80 | Nil | 1,503 |
| DFA U.S. SMALL CAP VALUE SERIES | Aug '06 | 142 | 1.45 | 0.22 ▲ | 1,209 |
| PERRITT EMERGING OPPORTUNITIES FUND | Sep '06 | 105 | 1.07 | Nil | 895 |
| DFA U.S. MICRO CAP PORTFOLIO | Aug '06 | 93.0 | 0.95 | Nil | 789 |
| SCHWARTZ VALUE FUND | Sep '06 | 82.0 | 0.83 | Nil | 696 |
| DFA U.S. SMALL CAP SERIES | Aug '06 | 9.18 | 0.09 | Nil | 77.9 |
| LAUDUS TR-LAUDUS/ROSENBERG U.S. DISCOVERY FD | Jun '06 | 8.64 | 0.09 | -18.4 ▼ | 73.3 |
| DFA TAX-MANAGED U.S. SMALL CAP PORTFOLIO | Aug '06 | 4.08 | 0.04 | Nil | 34.7 |
| Total | | 1,252 | 12.75 | -0.13 ▼ | 10,631 |

Insider Trading Activity



Most Recent Insider Trades

| Holder | Reported | Shares |
|-----------------------|----------|---------|
| DEBOER, JAMES N. | 12/15/06 | 2,431 ▲ |
| NOECKER, WILLIAM I. | 12/15/06 | 2,431 ▲ |
| WOODS, MICHAEL G. | 12/14/06 | 6,078 ▲ |
| FAST, JAMES D. | 12/11/06 | 2,431 ▲ |
| MOLFENTER, DAVID PAUL | 12/11/06 | 2,431 ▲ |
| SLUSSER, W. PETER | 12/11/06 | 1,431 ▲ |
| WOODS, MICHAEL G. | 12/07/06 | 6,000 ▼ |
| WOODS, MICHAEL G. | 12/07/06 | 1,576 ▼ |
| SLUSSER, W. PETER | 12/04/06 | 1,000 ▲ |

Shares are "as reported" as of the transaction date. ▲ Buy ▼ Sell

Sparton Corp

Sub-Industry Outlook

Our fundamental outlook for the Aerospace & Defense sub-industry is positive. We believe many companies in the aerospace & defense area will record solid EPS gains in the near term, based on our nation's current military action, plus what we believe are the early signs of recovery in the global airline industry.

Our outlook for the defense segment is positive. We believe that ongoing military actions in the Middle East and elsewhere, as well as future threats, such as those posed by Islamic terrorists and from North Korea, will necessitate continued funding of at least modest growth in defense budgets. At the same time, we believe that defense contractors have become more efficient and note strong cash flow generation, significant share repurchases, and debt reductions at a number of contractors. We also see some additional risk following the recent elections, in which control of both the House and the Senate changed hands.

Our outlook for the commercial aircraft segment is also positive. In looking at the 100-plus-seat commercial aircraft-making sector, we believe the global airline industry, by far the largest customer of passenger jets, will see growing demand for passenger flights. Following a perfect storm of events triggered by the 9/11 attacks, global airlines got clobbered by large declines in air traffic. However, passenger traffic has picked up significantly in recent years, boosted by global economic growth and attractive fares, in our view.

Given our outlook for more of the same this year and in 2007, we expect an ongoing rebound in commercial aircraft orders and sales over the several months. We believe that commercial and general aviation growth is being led by the emergence of the Asia/Pacific region (including

India) as an economic powerhouse. We also note that U.S. airlines have yet to make significant airplane purchases, and believe that this must occur as the U.S. fleet begins to age and the profitability of U.S. airlines improves.

We note, however, that valuations of many aerospace & defense companies, are not cheap by historical standards.

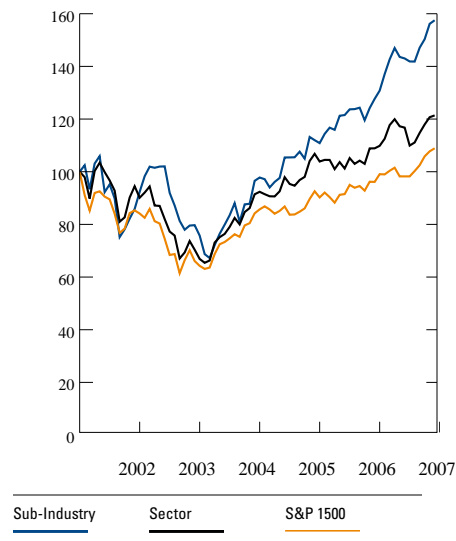
The S&P Aerospace & Defense Index rose 14.0% in 2005 versus a 3.8% rise in the S&P 1500; it gained another 23.3% through December 8 in 2006, compared with a 12.9% increase in the S&P 1500.

--Richard Tortoriello

Stock Performance

GICS Sector: Industrials
Sub-Industry: Aerospace & Defense

Based on S&P 1500 Indexes
Month-end Price Performance as of 12/29/06



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Aerospace & Defense Peer Group*: Electronics/Defense

| Peer Group | Stock Symbol | Stk.Mkt. Cap. (Mil. \$) | Recent Stock Price | P/E Ratio | 12-Mo. Trailing EPS | 30-Day Price Chg(%) | 1 Year Price Chg(%) | Beta | Yield (%) | Quality Ranking | Ret. on Equity (%) | Pretax Margin (%) | LTD to Cap (%) |
|---------------------------|--------------|-------------------------|--------------------|-----------|---------------------|---------------------|---------------------|-------------|------------|-----------------|--------------------|-------------------|----------------|
| Sparton Corp. | SPA | 82 | 8.38 | NM | -0.11 | 1% | -1% | 0.15 | 4.3 | B- | NM | NM | 14.2 |
| ARGON ST | STST | 479 | 21.54 | 25 | 0.87 | -5% | -31% | 2.93 | Nil | NR | 12.3 | 12.9 | Nil |
| Applied Signal Technology | APSG | 167 | 14.06 | 39 | 0.36 | -6% | -38% | 0.48 | 3.6 | B- | 9.9 | 9.9 | 7.7 |
| DRS Technologies | DRS | 2,121 | 52.68 | 20 | 2.66 | 8% | 2% | 0.27 | 0.2 | B+ | 8.1 | 7.8 | 57.5 |
| EDO Corp. | EDO | 501 | 23.74 | 31 | 0.76 | 7% | -12% | 0.62 | 0.5 | B | 11.6 | 6.5 | 45.6 |
| Elbit Systems | ESLT | 1,323 | 32.30 | 32 | 1.01 | -5% | 29% | 0.59 | 1.9 | NR | 7.4 | 4.6 | 26.3 |
| Environmental Tectonics | ETC | 32 | 3.52 | NM | -0.81 | -26% | -30% | -0.07 | Nil | C | NM | NM | 30.4 |
| Essex Corp | KEYW | 521 | 23.91 | 60 | 0.40 | 0% | 46% | 1.93 | Nil | B- | 6.3 | 5.4 | Nil |
| Irvine Sensors | IRSN | 41 | 2.05 | NM | -0.29 | 8% | -14% | 0.94 | Nil | C | NM | NM | 0.9 |
| MTC Technologies | MTCT | 360 | 23.55 | 18 | 1.31 | -5% | -13% | 0.58 | Nil | NR | 13.4 | 9.5 | 22.5 |
| Metal Storm Ltd ADS | MTSX | 63 | 2.42 | NM | -30.65 | -2% | -14% | 1.87 | Nil | NR | NM | NM | Nil |
| Raytheon Co. | RTN | 23,692 | 52.80 | 20 | 2.65 | 2% | 32% | 0.74 | 1.8 | B- | 8.8 | 6.6 | 26.4 |
| TVI Corp | TVIN | 77 | 2.35 | 21 | 0.11 | -14% | -41% | -1.64 | Nil | NR | 18.4 | 25.1 | Nil |
| Teledyne Technologies | TDY | 1,391 | 40.13 | 18 | 2.20 | -1% | 35% | 0.47 | Nil | NR | 21.8 | 8.5 | 12.6 |
| United Industrial | UIC | 570 | 50.75 | 19 | 2.61 | 2% | 23% | 0.67 | 0.8 | B | 141.4 | 12.0 | 82.5 |

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

Sparton Corp

S&P Analyst Research Notes and other Company News

October 30, 2006

NEW YORK (Standard & Poor's)--Oct 25, 2006, Sparton Corp., announced 1Q loss per share of \$0.25 vs. loss of \$0.13.

September 1, 2006

NEW YORK (Standard & Poor's)--Sep 1, 2006, Sparton Corp., announced 4Q EPS \$0.05 vs. \$0.53 and annual EPS \$0.01 vs. \$0.87.

May 12, 2006

NEW YORK (Standard & Poor's)--May 12, 2006, Sparton Corp., announced 3Q EPS \$0.08 vs. \$0.03 and 9 mos. loss per share of \$0.04 vs. EPS \$0.34.

February 10, 2006

NEW YORK (Standard & Poor's)--Feb 10, 2006, Sparton Corp., announced 2Q EPS \$0.02 vs. \$0.05 and 6 mos. loss per share of \$0.12 vs. EPS \$0.31.

October 26, 2005

NEW YORK (Standard & Poor's)--Oct 26, 2005, Sparton Corp., announced 1Q loss per share of \$0.14 vs. EPS \$0.26.

August 29, 2005

UP 0.57 to 10.40... Posts \$0.55 vs. \$0.17 Q4 EPS despite 4.0% sales drop... Notes favorable impact from settlement of claim with insurer for \$5.455M (pre-tax)... Sets \$0.10 annual dividend... Sets \$4M stock buyback.

August 29, 2005

NEW YORK (Standard & Poor's)--Aug 29, 2005, Sparton Corp., announced 4Q EPS \$0.55 vs. \$0.18 and annual EPS \$0.91 vs. loss of \$0.23.

Spartan Corp

Glossary

Quantitative Evaluations

In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking

Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

| | |
|------------------|---------------------|
| A+ Highest | B Below Average |
| A High | B- Lower |
| A- Above Average | C Lowest |
| B+ Average | D In Reorganization |
| NR Not Ranked | |

S&P Fair Value Rank

Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following:

- 5-Stock is significantly undervalued
- 4-Stock is moderately undervalued
- 3-Stock is fairly valued
- 2-Stock is modestly overvalued
- 1-Stock is significantly overvalued

S&P Fair Value Calculation

The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Volatility

Rates the volatility of the stock's price over the past year.

Technical Evaluation

In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank

Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)

An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 67 Industries, and 147 Sub-Industries.

Exchange Type

ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.