

Sparton Corporation Audit Committee Charter

This Charter governs the organization and operation of the Audit Committee (the “**Committee**”) of the Board of Directors of Sparton Corporation (the “**Company**”) and has been approved by the Company’s Board of Directors. All amendments to this Charter shall be approved by the Board of Directors.

Committee Purpose and Role

The Committee is appointed by the Board of Directors to provide assistance to the Board of Directors in fulfilling its oversight responsibility relating to the Company’s financial statements and the financial reporting process, the systems of internal accounting and financial controls, the qualification and independence of independent auditors, the annual independent audit of the Company’s financial statements, the Company’s compliance with legal and regulatory requirements and the ethics issues related thereto, and such other duties as may be assigned by the Board of Directors from time to time.

The Committee and any of its members shall, if requested by them, be given full access to any and all information within the Company’s custody or control, including, without limitation, information known to any of its officers, employees, consultants, legal counsel, independent auditors or any other member of the Board of Directors. The Committee will encourage full and free interchange among the Company’s Board of Directors, Chief Executive Officer, President, principal accounting officer, other Company executives and the independent auditors. The Company’s principal accounting officer is expected to be engaged with and supportive of a proactive philosophy that anticipates and shares with the Committee current issues and significant concerns.

The Committee is empowered to retain special legal, accounting or other advisors or consultants to advise the Committee, and it is authorized to access internal and external resources, as it deems necessary, in carrying out its responsibilities. The Committee may appoint subcommittees.

Committee Membership

The Committee shall consist of at least three directors appointed by the Board, one of whom shall be designated by the Board as Chairperson. The Board of Directors shall make an affirmative determination that each member of the Committee is independent of management and the Company. Members of the Committee will be considered independent if they have no relationship that may interfere with their independence from management, receive only reasonable compensation and otherwise qualify as independent under applicable laws, rules and regulations, including rules and regulations of the Securities and Exchange Commission and rules of the New York Stock Exchange.

All Committee members shall: (1) have the ability to read and understand fundamental financial statements, including the Company’s balance sheet, income statement, statement of cash flows, and key performance indicators; (2) have the ability to understand key business and financial risks and related controls and control processes; and (3) be financially literate at the time of their appointment to the Committee, all as interpreted by the Board of Directors and as may be defined by applicable laws, rules and regulations. In addition, the Chairperson of the Committee shall be financially sophisticated and at least one member of the Committee shall qualify as an “audit committee financial expert” as defined by applicable laws, rules and regulations. Additionally, Committee members are encouraged to participate in

relevant and appropriate continuing education to better understand the Company's business and the environment in which the Company operates.

Any questions concerning a director's independence or qualification to serve on the Committee will be determined by the Board of Directors in its business judgment and in accordance with applicable laws, rules and regulations. A Committee member may be removed for any reason by a majority vote of the Board of Directors.

Committee Meetings

The Committee shall hold regular meetings at least four times each fiscal year, and at any additional time as either the Board or the Committee deems necessary. Special meetings of the Committee may be called by the Committee Chairperson or the principal accounting officer. In addition, the independent auditors or legal counsel may, at any time, request and cause to be convened a meeting with the Committee or Committee Chairperson, with or without management attendance. Pre-meeting materials are expected to be distributed to Committee members in sufficient time before the meeting to permit adequate review by members. Committee members are expected to review those materials before the meeting. Minutes of each meeting will be kept and distributed to all directors. Meetings will focus on substantive issues of current importance and be of duration adequate to permit full discussion of the agenda. The Committee may request that members of management and the Company's independent auditors be present at meetings. The Committee must meet annually with the Independent Auditors.

Committee Responsibilities and Processes

The Committee's primary responsibilities are to assist the Board of Directors in its oversight of the integrity of the Company's financial statements, of the Company's compliance with legal and regulatory requirements and ethics issues, and of the independence and qualifications of the independent auditors. Management is responsible for preparing the Company's financial statements, and the independent auditors are responsible for auditing the Company's annual financial statements. The Committee should take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices and ethical behavior. The Committee shall regularly report the results of its activities to the Board of Directors.

The following shall be the principal recurring processes of the Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee may modify or supplement them as appropriate and consistent with applicable laws, rules and regulations, and as approved by the Board of Directors. The Committee's processes should remain flexible, to best react to changing conditions and circumstances. In furtherance of these purposes, the Committee shall have the following authority, duties and responsibilities:

- **Accountability of Independent Auditors:** Establish a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Board of Directors and the Committee, as representatives of the Company's shareholders.

- **Selection of Independent Auditors; Approval of Engagements:** The Committee has the sole authority and responsibility to select, appoint, evaluate and, if appropriate, replace, the independent auditors to examine the Company's accounts, controls and financial statements. The Committee has the sole authority to approve all audit engagement fees and terms and the Committee shall pre-approve all audit and permitted non-audit services provided to the Company by the independent auditors.

- **Review of Independent Auditors:** Annually review the performance (including effectiveness, objectivity and independence) of the independent auditors, including a review and evaluation of the lead partner of the independent auditors, and report the Committee's conclusions to the Board of Directors.

- **Report From Independent Auditors:** Ensure receipt of a formal written report from the independent auditors consistent with applicable rules and regulations and standards set by the Independence Standards Board or other applicable bodies. The Committee shall review the report with respect to independence and shall discuss with the independent auditors any relationships that may adversely affect the independent auditors' objectivity or independence, and shall consider the compatibility of approved non-audit services with the auditors' independence. If the Committee is not satisfied with the auditors' assurances of independence, it shall take appropriate action to ensure the independence of the independent auditors.

- **Annual Audit Plan and Related Matters:** Discuss with the independent auditors the overall scope and plans for their audit, including the budget, adequacy of staffing and compensation. Also, the Committee shall discuss with management and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's systems to monitor, assess and manage business risk, and legal and ethical compliance programs. The Committee shall review any identified audit problems or difficulties and discuss management's response(s) thereto. The Committee also shall meet in separate executive sessions with management and the independent auditors to discuss the results of the Committee's deliberations and any matter that the Committee or any of these persons believes should be discussed privately with the Committee.

- **Review of Annual Financial Statements and MD&A:** Review with management and the independent auditors the Company's financial statements, including disclosures under the Company's "Management's Discussion and Analysis of Financial Condition and Results of Operations," to be included in Forms 10-K, and recommend to the Board of Directors that the audited financial statements be included in the Company's Form 10-K. The Committee shall review the results of the annual audit with the independent auditors and Company management, including but not limited to the following:

- The quality and appropriateness of the Company's accounting principles and practices as applied to its financial reporting;
- Adjustments to the financial statements recommended by the independent auditors;
- Uncorrected misstatements aggregated by the independent auditors that are determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole;
- Significant audit findings during the year and management's responses thereto; and
- Other matters required by the independent auditors to be communicated to the Committee under generally accepted auditing standards and applicable laws, rules and regulations.

- **Review of Quarterly Financial Statements and MD&A:** Review the Company's quarterly financial statements, including disclosures under the Company's "Management's Discussion and Analysis of Financial Condition and Results of Operations," with management and the independent auditors before filing of Forms 10-Q. The Committee shall review the results of the quarterly reviews with the independent auditors and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards and applicable laws, rules and regulations.

- **Review of Systems and Controls:** Review with management and the independent auditors the quality, adequacy and effectiveness of the Company's accounting, financial and disclosure controls and procedures, including computerized information systems and controls, the Company's systems to monitor, assess and manage business risks and the adequacy of the Company's resources. The Committee shall also meet separately with management and the independent auditors to discuss the results of the Committee's deliberations.
- **Complaints:** Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters.
- **Investigations:** Investigate, when deemed necessary, potential improprieties or known improprieties in Company operations. The Committee shall conduct investigations and, if necessary, retain outside experts with respect to any alleged illegality that may be brought to the Committee's attention. The Committee shall have the ability to investigate any matter within the scope of its responsibility and engage legal counsel, independent experts and other resources to assist in any such investigation.
- **Review of Company Policies and Practices:** Review the adequacy of the policies and practices of the Company related to (1) related party transactions; (2) codes of conduct and/or ethics; (3) conflicts of interest; and (4) compliance with key regulatory issues for the audit and accounting functions.
- **Review of Risks:** Meet periodically with management and the independent auditors to review important financial and operating topics that present potential significant risk to the Company and the steps management has taken to monitor and control such exposures.
- **Legal and Regulatory Matters:** Review reports from the Company's counsel on the status of any legal or regulatory matters, such as threatened or pending litigation, that may result in a material financial impact to the Company.
- **Earnings Releases:** Review earnings press releases prior to their issuance and guidance provided by the Company to analysts or rating agencies. The Chairperson may represent the entire Committee for purposes of this review.
- **Reports in Securities Filings:** Prepare an annual Committee report and any other disclosure required in the Company's annual proxy statement or other securities filings.
- **Auditing and Accounting Principles:** Consider major changes and other questions regarding the appropriate auditing and accounting principles and practices for the Company.
- **Annual Performance Evaluation:** Assist the Board of Directors with an annual performance evaluation of the Committee, including the Committee's adherence to this Charter.
- **Review of Charter:** Review and reassess the adequacy of this Charter at least annually and recommend any changes to the Board of Directors. Ensure that this Charter is included as an appendix to the Company's proxy statement at least once every three years (or as otherwise required by applicable laws, rules and regulations).

- **Hiring of Certain Employees:** Establish or approve Company hiring policies for employees or former employees of the independent auditors.
- **Other:** Report regularly to the Board of Directors and undertake such other responsibilities as are required by applicable laws, rules and regulations or are assigned by the Board of Directors.

Although the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete, accurate and in accordance with generally accepted accounting principles. These tasks are the responsibility of management and the independent auditors. It is not the duty of the Committee to conduct investigations, (other than as specifically described in this charter), and to resolve disagreements between management and the independent auditors, or to assure compliance with laws and regulations.