

ST 06 9/15/2006



**BDO Seidman, LLP**  
Accountants and Consultants

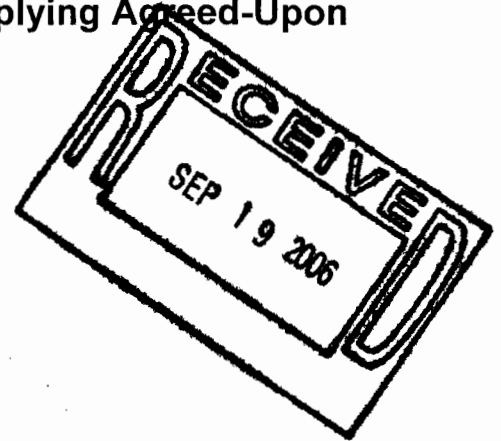
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## **Report of Independent Accountants on Applying Agreed-Upon Procedures**

Board of Directors and Management  
Sparton Corporation  
Jackson, Michigan

Environmental Protection Agency  
Dallas, Texas

New Mexico Environmental Department  
Santa Fe, New Mexico



We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Sparton Corporation and subsidiaries as of June 30, 2006, and the related consolidated statements of income, shareowners' equity and cash flows for the year then ended, and have issued our report thereon dated August 25, 2006. Our opinion on the financial statements referred to above is presented in Sparton Corporation's 2006 Annual Report (Form 10-K) which is referred to in the letter dated September 15, 2006 and signed by Richard Langley, Chief Financial Officer of Sparton Corporation, to the Environmental Protection Agency and the New Mexico Environment Department ("the Langley Letter").

We have performed the procedures described below, which were specified by the Environmental Protection Agency and agreed to by Sparton Corporation, to the Langley Letter, solely to assist you in complying with the requirements of the State of New Mexico and the United States Environmental Protection Agency. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

We have compared the following data included in the Langley Letter to amounts included in or derived from the audited consolidated balance sheet of Sparton Corporation and subsidiaries as of June 30, 2006, and the related consolidated statements of income, shareowners' equity and cash flows for the year then ended, which we have audited and issued our report thereon as described above, and found them to be in agreement.

<u>Description</u>	<u>Balance</u>
Total liabilities	\$ 53,207,358
Tangible net worth	74,380,571
Net worth	96,850,378
Current assets	99,598,081
Current liabilities	31,400,958
Net working capital	68,197,123
Sum of net income plus depreciation, depletion and amortization	2,212,590
Total assets in U.S.	134,362,383

We were not engaged to, and did not, conduct an audit, examination or review, the objectives of which would be the expression of an opinion or limited assurance on the Langley Letter. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and management of Sparton Corporation, the State of New Mexico and the United States Environmental Protection Agency and is not intended to and should not be used by anyone other than these specified parties.

*BDO Seidman, LLP*

Grand Rapids, Michigan  
September 15, 2006

**Review of Financial Assurance Test**

(financial numbers as of 6/30/06)

**Criteria****Met Criteria?**

\*

**Liabilities to Net worth less than 2**

Liabilities	Net Worth		
\$53,207,358 to	\$96,850,378 equals	0.55	Yes

**Liabilities to Tangible Net worth less than 2**

Liabilities	Tangible Net Worth		
\$53,207,358 to	\$74,380,571 equals	0.72	Yes

\*

**Current Assets to Current Liabilities greater than 1.5**

Curr. Asset	Curr. Liability		
\$99,598,081 to	\$31,400,958 equals	3.17	Yes

**Working Capital and Net worth greater than 6 time remediation liability (6 x \$3,500,965 = \$21,005,790)**

Curr. Asset	Curr. Liability	Working Capital	
\$99,598,081 less	\$31,400,958 equals	\$68,197,123	Yes

Net Worth	
\$96,850,378	Yes

**Tangible Net Worth**

Net Worth	Intangibles	Tangible Net Worth	
\$96,850,378 less	\$22,469,807 equals	\$74,380,571	Yes

**Net Worth and Tangible Net Worth greater than \$10,000,000**

Yes

**U.S. Assets greater than 90% of total assets or greater than 6 time remediation liability (\$21,005,790)**

Total Assets	Canada	Vietnam	US %	
\$150,057,736	\$10,817,773	\$4,877,580	89.54%	No (yes if rounded)

U.S. Assets	
\$134,362,383	Yes

\*

**Net Income plus depreciation plus depletion plus amortization / Total Liabilities greater than 0.1**

Net income	\$98,356		
D + D + A	\$2,114,234	Total Liabilities	
Total	\$2,212,590	\$53,207,358	0.042

No

\*

Only two of the three criteria must be met - Are two met?

Yes