

SPARTON CORP
Form DEF 14A
September 27, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
(RULE 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF
1934 (AMENDMENT NO. __)

Filed by the registrant

Filed by a party other than the registrant

Check the appropriate box:

Preliminary proxy statement Confidential, for use of the Commission

only (as permitted by Rule 14a-6 (e) (2)).

Definitive proxy statement

Definitive additional materials

Soliciting material pursuant to Rule 14a-12

SPARTON CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of filing fee (check the appropriate box):

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- N/A
7. (c) Filing Party:
- N/A
8. (d) Date Filed:
- N/A

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Our Shareholders:

Notice is hereby given that the Annual Meeting of Shareholders of Sparton Corporation will be held at 425 North Martingale Road, Schaumburg, Illinois 60173-2213, at the 425 Executive Conference Center on November 2, 2016, at 10:00 a.m., local time, for the following purposes:

- (1) To elect eight directors each for a term of one year as set forth in the Proxy Statement.
- (2) To ratify the appointment of independent registered public accountants by an advisory vote.
- (3) To approve the Named Executive Officer compensation by an advisory vote.

- (4) To transact such other business as may properly come before the meeting or at any adjournments thereof.

Only holders of common stock of record at the close of business on September 21, 2016 are entitled to notice of and to vote at the meeting.

By Order of the Board of Directors

/s/ Joseph J. Hartnett

JOSEPH J. HARTNETT
Interim President and Chief Executive Officer
Schaumburg, Illinois

September 27, 2016

Scan this QR code to view
digital versions
of our Proxy Statement
and 2016 Annual Report

IMPORTANT

ALL SHAREHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING. WHETHER OR NOT YOU PLAN TO ATTEND IN PERSON, YOU ARE URGED TO SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENVELOPE PROVIDED, OR USE OUR INTERNET VOTING SYSTEM AS PROMPTLY AS POSSIBLE. THIS WILL ASSURE YOUR REPRESENTATION AND A QUORUM FOR THE TRANSACTION OF BUSINESS AT THE MEETING. IF YOU ATTEND THE MEETING IN PERSON, THE PROXY WILL NOT BE USED IF YOU SO REQUEST BY REVOKING IT AS DESCRIBED IN THE PROXY STATEMENT.

You may obtain directions to the Annual Meeting by sending a written request to Sparton Corporation, Attention: Corporate Secretary, 425 N. Martingale Road, Suite 1000, Schaumburg, Illinois 60173-2213.

This Notice of Annual Meeting of Shareholders, Proxy Statement and our 2016 Annual Report are available at <http://www.astproxyportal.com/ast/19320>.

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Sparton Corporation

2016 Proxy Statement Summary

The following is a summary of certain information provided in the body of this Proxy Statement. This Summary does not contain all of the information contained in this Proxy Statement, and shareholders should review the entire Proxy Statement before voting on any matter proposed hereunder.

2016 Annual Meeting of Shareholders

Time and Date 10:00 a.m. Central Standard Time, November 2, 2016

425 North Martingale Road,

Place Schaumburg, Illinois 60173-2213,

at the 425 Executive Conference Center

Shareholders as of the record date, September 21, 2016, are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on.

Voting

Meeting Agenda and Voting Matters	Board Vote Recommendation	Page Reference (for more detail)
Election of Eight Directors	FOR each director nominee	12
Ratification of BDO USA, LLP as independent registered public accountant for fiscal year 2016 by advisory vote	FOR	18
Advisory vote on Named Executive Officer Compensation	FOR	20
Transact other business that properly comes before the meeting		

Director Nominees

Alan L. Bazaar
 James D. Fast
 Joseph J. Hartnett
 John A. Janitz
 Charles R. Kummeth
 David P. Molfenter
 James R. Swartwout (Chairman)
 Frank A. Wilson

Independence

Other than Mr. Hartnett, who is the Interim President and Chief Executive Officer of Sparton Corporation, all director nominees are independent.

Attendance

In fiscal year 2016, each of our director nominees attended at least 75% of all meetings of the Board and committees on which they serve (during the period served).

Independent Registered Public Accountant

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Sparton Corporation is asking the shareholders to ratify the appointment of BDO USA, LLP for fiscal year 2017. The following table summarizes the fees that BDO USA, LLP billed Sparton Corporation for the fiscal years ended July 3, 2016 and June 30, 2015:

(In thousands)	Year Ended	
	July 3, 2016	June 30, 2015
Audit Fees	\$ 572	\$ 424
Audit-Related Fees	43	145
Tax Fees	530	347
All Other Fees	890	20
Total	\$ 2,035	\$ 936

Executive Compensation

Sparton Corporation believes that its compensation policies and practices are effective in achieving its goals of attracting, motivating, retaining and rewarding its senior management team in order to achieve Sparton Corporation's corporate objectives and increase value for its shareholders. Please see Executive Officer and Director Compensation below at page 23 for details regarding compensation for fiscal year 2016.

2017 Annual Shareholders Meeting

Deadline for shareholder proposals to be included in the 2017 Proxy Statement: May 26, 2017.

Deadline for shareholder proposals: July 5, 2017.

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SPARTON CORPORATION

425 N. Martingale Road

Suite 1000

Schaumburg, Illinois 60173-2213

PROXY STATEMENT

For the Annual Meeting of Shareholders to be held on November 2, 2016

SOLICITATION

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of SPARTON CORPORATION, an Ohio corporation (the Company), of proxies for use at the 2016 Annual Meeting of Shareholders of the Company (the Annual Meeting) to be held at 425 North Martingale Road, Schaumburg, Illinois 60173-2213, at the 425 Executive Conference Center on Wednesday, November 2, 2016, at 10:00 a.m., Local Time, and at any and all adjournments thereof. The cost of solicitation will be paid by the Company. The Company has not retained a proxy solicitor to assist with the solicitation of proxies but retains the right to do so. Officers and employees of the Company and its subsidiaries may solicit proxies personally, by facsimile or other means, without additional compensation.

At the meeting, the Company's shareholders will act upon three proposals. The first proposal is the election of eight directors, each to serve for a one-year term until the annual meeting held in the year 2017 and the election and qualification of their successors. The second proposal is the ratification of the appointment of independent registered public accountants by an advisory vote. The third proposal is the approval of the compensation of the Named Executive Officers (defined below) by an advisory vote. The proposals are described in more detail in this Proxy Statement.

OUTSTANDING STOCK AND VOTING RIGHTS

In accordance with the Code of Regulations of the Company, the Board of Directors has fixed the close of business on September 21, 2016 as the record date for determination of shareholders entitled to notice of, and to vote at, the Annual Meeting. Only shareholders of record on that date will be entitled to vote. As of the record date for the Annual Meeting, the Company had outstanding 9,818,730 shares of common stock, each entitled to vote at the Annual Meeting. Votes cast at the meeting and votes submitted by proxy are counted by the inspectors of the election, who are appointed by the Company.

Voting by Proxy

If a shareholder is a corporation or partnership, the accompanying proxy card should be signed in the full corporate or partnership name by a duly authorized person. If the proxy card is signed pursuant to a power of attorney or by an executor, administrator, trustee or guardian, the signer's full title should be given and a certificate or other evidence of appointment should be furnished.

You can vote in one of three ways. You can vote by mail, you can authorize the voting of your shares over the Internet, or you can vote in person at the Annual Meeting. Your proxy may be solicited up to the date and time of the meeting.

Voting by Mail

If you choose to vote by mail, you may vote by completing and signing the proxy card that accompanies this Proxy Statement and promptly mailing it in the enclosed postage-prepaid envelope. You do not need to put a stamp on the enclosed envelope if you mail it in the United States. The shares you own will be voted according to

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the instructions on the proxy card you mail. If you return the proxy card, but do not give any instructions on a particular matter described in this Proxy Statement, the shares you own will be voted in accordance with the recommendations of the Company's Board of Directors. If you choose to vote by mail, your duly signed proxy card must be received by 11:59 p.m., Central Standard Time, on November 1, 2016.

Voting by Internet

If you choose to vote over the Internet, instructions for a shareholder of record to vote by the Internet are set forth on the enclosed proxy card. The Internet voting procedures are designed to authenticate votes cast by use of a personal identification number that appears on the proxy card. These procedures allow shareholders to appoint a proxy to vote their shares and to confirm that their instructions have been properly recorded. If you vote over the Internet, you do not have to mail in your proxy card, but your vote must be received by 11:59 p.m. Central Standard Time on November 1, 2016.

Voting 401(k) Plan Shares

If you participate in the Company's 401(k) retirement savings plan (the "401(k) Plan") and hold shares in your plan account, you may give voting instructions as to the number of shares credited to your account as of the record date. You may provide voting instructions (or a change or revocation in voting instructions) to the plan trustee, Merrill Lynch, Pierce, Fenner & Smith ("Merrill Lynch"), through any of the voting methods described above, except that you may not vote your plan shares in person at the Annual Meeting. Only the trustee of the 401(k) Plan, Merrill Lynch, may vote your plan shares. Your voting instructions (or change or revocation in voting instructions) must be received before 8:00 a.m. Eastern Standard Time on October 31, 2016.

Shares Held in Street Name

If you are not the record holder of the shares you own because they are held in "street name" by a bank or brokerage firm, your bank or brokerage firm is required to vote your shares according to your instructions. In order to vote your shares, you will need to follow the directions your bank or brokerage firm provides you. Many banks and brokerage firms also offer the option of voting over the Internet or by telephone, instructions for which would be provided by your bank or brokerage firm on your vote instruction form. Under the rules of The New York Stock Exchange ("NYSE"), if you do not give instructions to your brokerage firm, it may still be able to vote your shares with respect to certain "discretionary" items that are deemed by the NYSE to be routine (e.g., the ratification of the appointment of independent registered public accountants), but it will not be allowed to vote your shares with respect to certain "non-discretionary" items. If you do not provide voting instructions to your broker with respect to non-discretionary items such as election of directors and the advisory vote on the compensation of Named Executive Officers, your shares will not be voted for any such proposal. In such case, the shares will be treated as "broker non-votes."

Revocation and How Shares are Voted if No Instructions are Provided

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by (i) filing a written notice of revocation with the Chairman or Secretary of the Company, at or before the Annual Meeting, (ii) duly executing a subsequent proxy relating to the same shares and delivering it to the Chairman or Secretary of the Company either signed and returned by mail or transmitted using the Internet procedures at or before the Annual Meeting subject to deadlines set forth above or (iii) attending the Annual Meeting and voting in person with adequate notification (although attendance at the Annual Meeting will not in and of itself constitute a revocation of a proxy). Unless revoked, the shares represented by the enclosed proxy will be voted at the meeting in accordance with any specification made thereon, if the proxy is returned properly executed and delivered in time for voting in accordance with the deadlines set forth above.

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Unless otherwise specified, the proxy will be voted FOR the election of the eight director nominees, FOR the ratification of the appointment of independent registered public accountants, and FOR approval of the compensation of the Named Executive Officers.

Quorum and Vote Required

At all meetings of shareholders, including the Annual Meeting, the holders of record of a majority of the outstanding voting shares of the Company, present in person or by proxy, constitutes a quorum for the transaction of business.

In accordance with the Company's Second Amended Articles of Incorporation, and with respect to Proposal 1, a director nominee must receive, in an uncontested election of directors, a greater number of votes cast FOR his or her election than AGAINST his or her election. Under our governing documents and Ohio law, an incumbent director who is not re-elected will continue in office as a holdover director until his or her successor is elected by a subsequent shareholder vote, or his or her earlier resignation, removal from office or death. In order to address holdover terms for any incumbent directors who fail to be re-elected under our majority vote standard, our Corporate Governance Guidelines provide that if a director nominee does not receive a majority affirmative vote, he or she will promptly offer his or her resignation as a director to the Board of Directors. Within ninety (90) days, the Board of Directors will decide, after taking into account the recommendation of the Nominating and Corporate Governance Committee (in each case excluding the nominee(s) in question), whether to accept the resignation. The Nominating and Corporate Governance Committee and the Board of Directors may consider any relevant factors in deciding whether to accept a director's resignation. The Board of Directors explanation of its decision shall be promptly disclosed in a filing with the Securities and Exchange Commission (SEC).

With respect to Proposal 2, the ratification of the appointment of the independent registered public accountant requires the affirmative vote of a majority of the shares entitled to vote thereon and present in person or represented by proxy at the Annual Meeting.

With respect to Proposal 3, the approval of the compensation of the Named Executive Officers requires the affirmative vote of a majority of the shares entitled to vote thereon and present in person or represented by proxy at the Annual Meeting.

Broker non-votes and abstentions are not counted for purposes of any of the proposals. Proposals 2 and 3 are advisory in nature and not binding, although the Board will carefully consider the shareholder votes.

Other Matters

Management does not intend to present, and does not know of anyone who intends to present, any matters at the meeting to be acted upon by the shareholders not referred to in the Notice and this Proxy Statement. If any other matters should properly come before the meeting, it is the intention of the persons named in the proxy to vote in accordance with their judgment on such matters.

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CORPORATE GOVERNANCE AND BOARD MATTERS

Director Independence

Independence criteria and determination

The listing requirements under Section 303A.01 of the NYSE Listed Company Manual (the Manual) provide that a majority of the members of a listed company's board of directors must be independent. The question of independence is determined with respect to each director pursuant to standards set forth in the Manual. The Manual also requires that certain committees be composed entirely of independent directors. The committees covered by this requirement are the Audit, Compensation, and Nominating and Corporate Governance Committees. Based upon the standards set forth in the Manual, as of the date of this Proxy Statement, seven of the Board's eight members, being more than a majority of the Board, are independent. All current members of the Audit, Compensation, and Nominating and Corporate Governance Committees are independent in that those directors do not have a material relationship with the Company directly or as a partner, shareholder or affiliate of an entity that has a relationship with the Company.

In making such determinations, the Board considered (i) whether a director had, within the last three years, any of the relationships under Section 303A.02(b) of the Manual with the Company that would disqualify a director from being considered independent, (ii) whether the director had any disclosable transaction or relationship with the Company under Item 404 of Regulation S-K of the Securities Exchange Act of 1934, as amended (Exchange Act), which relates to transactions and relationships between directors and their affiliates, on the one hand, and the Company and its affiliates (including management), on the other, and (iii) the factors suggested in the NYSE's Commentary to Section 303A.02, such as commercial, industrial, banking, consulting, legal, accounting, charitable or familial relationships, among other relationships, or other interactions with management that do not meet the absolute thresholds under Section 303A.02 or Item 404(a) but which, nonetheless, could reflect upon a director's independence from management. In considering the materiality of any transactions or relationships that do not require disqualification under Section 303A.02(b), the Board considered the materiality of the transaction or relationship to the director, the director's business organization and the Company and whether the relationship between (i) the director's business organization and the Company, (ii) the director and the Company and (iii) the director and his or her business organization interfered with the relevant director's business judgment.

Based on the foregoing, the Company has determined that the following directors are independent: Alan L. Bazaar, James D. Fast, John A. Janitz, Charles R. Kummeth, David P. Molfenter, James R. Swartwout and Frank A. Wilson.

Meetings of Independent Directors

The independent directors schedule meetings in executive sessions without the presence of the Company's management. The Chairman presides over the sessions during the year.

The independent directors met five times during fiscal year 2016.

Shareholder Communication with Independent Directors

Shareholders wishing to communicate directly with the independent directors may send correspondence addressed as follows:

Independent Directors

c/o Corporate Secretary

Sparton Corporation

425 N. Martingale Road, Suite 1000

Schaumburg, Illinois 60173-2213

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Mr. James R. Swartwout has been elected by the directors as the Chairman. The Chairman provides leadership to enhance the Board's effectiveness, presides over meetings of the directors, and serves as a liaison between the Board and management. The Chairman is responsible for determining when to hold, and who shall preside over, executive sessions held by the independent directors. If a shareholder, employee, or third party prefers not to communicate directly with the entire Board of Directors or management, communications may be sent to the Chairman, in care of the Corporate Secretary, using the above address.

Board and Committee Structure

As of the date of this Proxy Statement, the Company's Board of Directors consists of seven independent directors, including the Chairman of the Board, Mr. Swartwout, and one non-independent director, Mr. Joseph J. Hartnett, the Interim President and Chief Executive Officer of the Company. The Board has established four committees, being the Audit, Compensation, Nominating and Corporate Governance, and Process Committees, as further described below. Other than the Process Committee, each of the committees is comprised solely of independent directors, and each committee has a different chair. Prior to establishment of the Process Committee and when the Board had a different composition, the Board had established a Special Committee, but that committee is not currently active. The Company believes that its predominantly independent Board, mixed with the experience of its non-independent director, constitutes a leadership structure that is most appropriate for the Company and its shareholders.

The Board of Directors had eleven meetings during fiscal year 2016.

Board Committee Membership

Director	Independent	Audit	Compensation	Nominating and Corporate Governance	Process
Alan L. Bazaar	Yes			x	x
James D. Fast	Yes	x		x	
Joseph J. Hartnett	No				x
John A. Janitz	Yes	x	x		x
Charles R. Kummeth	Yes		x	x - Chairman	
David P. Molfenter	Yes		x - Chairman	x	x
James R. Swartwout	Yes	x - Chairman	x		x - Chairman
Frank A. Wilson	Yes	x			

x denotes committee membership

Audit Committee

The Audit Committee met six times during fiscal year 2016 and is comprised of Messrs. James R. Swartwout (Chairman), James D. Fast, John A. Janitz, and Frank A. Wilson. Mr. Hartnett served on the Audit Committee until he was named Interim President and Chief Executive Officer on February 5, 2016, at which point he resigned from the Audit Committee and Mr. Fast was appointed. The Audit Committee operates under a written charter and oversees auditing, financial reporting and internal control matters regarding accounting and financial controls. It also selects the firm that the Company retains as its independent registered public accountants and recommends the ratification of their selection by the shareholders. The Audit Committee consults with the independent registered public accountants and oversees their audit and other work. The Audit Committee also consults with the Chairman of the Board, President and Chief Executive Officer, and Chief Financial Officer and oversees those individuals who review the Company's internal controls and compliance with policies. Each member of the Audit Committee is independent, as defined under the NYSE listing standards.

Mr. Wilson, in addition to being independent, qualifies as an audit committee financial expert as defined in the SEC Regulation S-K, Item 407(d)(5)(ii). Mr. Wilson's relevant financial experience includes that he is a

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Certified Public Accountant and has a B.B.A, Accounting, from Baylor University. Mr. Wilson has served as the Senior Vice President and Chief Financial Officer of PerkinElmer since 2009. Previously, Mr. Wilson served in various financial management roles over a period of 12 years at the Danaher Corporation. For additional detail, see *Director Biographies* below at page 12 describing the members of the Board of Directors and their respective experience, qualifications, attributes and skills.

The independent registered public accountants have access to the Audit Committee without any other members of management being present. The Audit Committee met with management and the independent registered public accountants before the announcement of earnings each quarter. The Audit Committee also met with the independent registered public accountants without management present on four occasions during fiscal year 2016. The Audit Committee also reviewed the annual consolidated financial statements and annual report on Form 10-K and the Audit Committee report in this Proxy Statement before each was filed with the SEC.

Compensation Committee

The Compensation Committee held seven meetings during fiscal year 2016. The Compensation Committee is comprised of Messrs. David P. Molfenter (Chairman), John A. Janitz, Charles R. Kummeth, and James R. Swartwout, and it monitors the remuneration, including restricted stock, restricted stock units and stock options, for the Company's management, including the Named Executive Officers.

The Compensation Committee may delegate its authority to subcommittees consisting of independent directors and may be assisted on compensation matters by members of the Company's staff. The Compensation Committee may, as needed, employ compensation consultants to assist the committee with its determination of the amount and/or form of executive compensation. See page 30 below under the heading *Role of the Compensation Consultant* for discussion regarding the Compensation Committee's use of consultants. The compensation philosophy, the compensation components, and their application as described in the Compensation Discussion and Analysis, which appears below, are generally employed by the Compensation Committee in connection with the compensation for all of the executive officers of the Company.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee, which is comprised of Messrs. Charles R. Kummeth (Chairman), Alan L. Bazaar, James D. Fast, and David P. Molfenter, held four meetings during fiscal year 2016. The Nominating and Corporate Governance Committee reviews corporate governance documents, and reviews the makeup of the existing Board of Directors and the tenure of its members, consistent with appropriate principles of corporate governance and applicable regulations, and reviews and recommends director remuneration to the full Board of Directors. The Nominating and Corporate Governance Committee also receives candidate resumes, and considers and recommends candidates for election to the Board consistent with the needs of the Company, regulatory requirements, and the qualifications of the candidates. The Nominating and Corporate Governance Committee has implemented a formal process for consideration of candidates, which is described under *Director Qualifications* below.

Special Committee; Process Committee

Prior to establishment of the Process Committee and when the Board had a different composition, the Board had established a Special Committee, but that committee is not currently active. The Special Committee held eight meetings while it was active. The Process Committee, which is comprised of Messrs. Alan L. Bazaar, Joseph J. Hartnett, John A. Janitz, David P. Molfenter, and James R. Swartwout, held nine meetings during fiscal year 2016. The Process Committee operates under a written charter approved by the Board, and was charged by the Board with exploring a range of strategic alternatives to determine the best way to enhance shareholder value. The Board has retained Wells Fargo Securities, LLC, as financial advisor, and Mayer Brown LLP, as legal advisor, to assist in this process. As part of the Process Committee's exploration of strategic alternatives, the Board has authorized Wells Fargo Securities to conduct a process to identify parties interested in acquiring the Company.

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Board Role in Risk Oversight

The Board is ultimately responsible for oversight of risk management. As part of the risk management process, the Company's management team, through its Risk Management Committee, is responsible for identifying and monitoring potential risks facing the Company. The Risk Management Committee's Chairman will rotate annually and various business departments report potential risks to the Chairman on a periodic basis. The Chairman of the Risk Management Committee reviews such potential risks with the Committee and counsel and reports its determinations to the Board. The Company believes that reviewing risk at the business department level by the Risk Management Committee, as reported to the Board of Directors, provides the Board of Directors with a comprehensive and detailed overview of enterprise risk.

The Audit Committee is charged with reviewing the adequacy and effectiveness of the accounting and financial controls, including the Company's systems to monitor, assess and manage financial, business, legal and compliance risk.

Further, the Board believes that the roles of Chief Executive Officer and Chairman of the Board of Directors should be separated and, therefore, two different individuals serve as the Company's Chief Executive Officer and Chairman. Mr. Joseph J. Hartnett serves as the Company's Interim Chief Executive Officer and Mr. James R. Swartwout serves as the Chairman of the Company's Board of Directors.

The Company's risk structure allows the Company's independent directors to exercise effective oversight of the actions of management, led by Mr. Joseph J. Hartnett as Interim Chief Executive Officer and President, in identifying risks and implementing effective risk management policies and controls.

Corporate Governance Guidelines and Charters

The Board of Directors has adopted Corporate Governance Guidelines applicable to the Company. The Nominating and Corporate Governance Committee reviews the Guidelines annually to determine whether to recommend changes to the Board of Directors to reflect new laws, rules and regulations and developing governance practices. The Guidelines address several key areas of corporate governance, including the Company's governance philosophy, director responsibilities, Board composition, Board meetings and committees, director independence, and director compensation. The Guidelines are available on the Company's website, www.sparton.com.

In addition to the Guidelines, the Board adopted charters for the Compensation, Audit, and Nominating and Corporate Governance Committees addressing corporate governance issues. These charters address issues such as independence of the committee members, committee organization and powers, member qualifications, duties and responsibilities, and corporate governance.

As of July 3, 2016, all members of the Audit, Compensation, and Nominating and Corporate Governance Committees were independent directors. Copies of the charters for each of the Audit, Compensation, and Nominating and Corporate Governance Committees are located on the Company's website, www.sparton.com. The Company continues to develop and refine its corporate governance policies and practices and their place within the committee structure of the Board of Directors.

The Board has determined that maintaining an Executive Committee as a standing committee is not necessary, in part due to the smaller size of the Board. The Board will continue to review whether or not it is appropriate to re-establish an Executive Committee in the future.

Code of Business Conduct and Ethics

The Company's Code of Business Conduct and Ethics sets forth the Company's corporate values. The Code of Business Conduct and Ethics governs the actions and working relationships of the Company's employees, officers and directors, and sets forth the standard of conduct of the Company's business at the highest ethical level and in compliance with all applicable laws and regulations.

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To the extent any waiver is granted with respect to the Code of Business Conduct and Ethics that requires disclosure under applicable SEC rules, such waiver will also be posted on the Company's website, as will any amendment that may be adopted from time to time.

Additionally, the Company has established the following statement of its Corporate Values :

We demand performance excellence in all that we do.

We demand integrity of ourselves, our products, and our services.

We foster growth and success in an environment of teamwork, collaboration, empowerment, and accountability.

We develop long term, trusting relationships to ensure mutually profitable growth.

We will maintain a safe and environmentally sound workplace.

We will be good corporate citizens in the communities in which we reside.

Whistleblower Provisions

It is the Company's policy to encourage its employees and other persons to disclose improper activities, and to address complaints alleging acts of reprisal or intimidation resulting from disclosure of improper activities. Individuals wishing to report improper activities may call the Company's Whistleblower service at 1-800-488-1933 (from within the United States) or 1-800-4818 (from Vietnam). Activities may be reported anonymously if desired.

Director Attendance at Meetings

All directors attended at least 75% of the aggregate total number of meetings of the Board and committees on which they serve during fiscal year 2016. In addition, the directors are expected to attend the Annual Meeting. At the Company's 2015 Annual Meeting of the Shareholders, all of the directors serving at that time were in attendance. Pursuant to our Corporate Governance Guidelines our directors are encouraged to attend director education programs on an annual basis.

Director Qualifications

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board of Directors, from time to time, the appropriate qualities, skills and characteristics desired for members of the Board of Directors in the context of the current make-up of the Board. This assessment includes consideration of the following summary of qualifications that the Nominating and Corporate Governance Committee believes must be met by all directors, as well as the following considerations for the composition of the Board of Directors as a whole:

Essential Qualities

Relevant and substantial business experience, with an understanding of what is involved in leading a company.

Sound business instincts and judgment, with the ability to make informed and strategic decisions.

Professional and personal reputation and integrity consistent with the Company's Code of Business Conduct and Ethics.

Strong interpersonal skills evidencing the ability to work as part of a group and express views that are both challenging to and supportive of management.

Commitment and availability to the Company to perform necessary and desired duties, with the ability to accept accountability for their role in decisions of the Board of Directors.

Genuine interest in the Company, its business, and its people, with a willingness to remain committed over a period of several years.

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Board Composition Considerations

Strategic mix of directors allowing for diverse expertise and experience fitting the specific needs of the Company, now and anticipated in the future.

Multiple directors possessing understanding and expertise in the area of accounting and finance.

Multiple directors with specific experience and knowledge of the risks and challenges unique to the industries in which the Company operates.

Visionaries with the ability to lead, manage change, and assist in the continued growth of the Company.

Familiarity with and understanding of the media and various financial markets.

The Board considers diversity, including cognitive and experiential diversity, of director nominees to be desirable to achieve balanced deliberation; however the Company does not have a formal written diversity policy.

These and other factors are considered by the Board of Directors in selection of director nominees.

Process for Identifying and Evaluating Director Nominees

The Board of Directors is responsible for selecting director candidates. The Board of Directors delegates the identification, recruitment and recommendation of director nominees to the Nominating and Corporate Governance Committee, with the expectation that other members of the Board of Directors and management will be requested to take part in the process as appropriate.

When it is determined by the Board of Directors that a new director or nominee is to be recruited, the Nominating and Corporate Governance Committee undertakes a candidate selection process. The Committee maintains a selection criteria document, which has been approved by the Board of Directors and which the Committee reviews regularly to ensure that it is applicable. The criteria include both general criteria that all candidates must meet and specific criteria regarding skill or background that are desirable to the Board of Directors. The Nominating and Corporate Governance Committee, with the counsel of the full Board of Directors, determines which specific background should be represented in the candidate. The criteria are then given to a professional recruiter who specializes in board placements and a search is commenced. Potential candidates known to existing directors or suggested by shareholders who are believed to meet the criteria may be suggested to the recruiting agency for inclusion in the initial pool of candidates. Once candidates have been identified, the Nominating and Corporate Governance Committee confirms that the candidates meet all of the qualifications for director nominees established by the Nominating and Corporate Governance Committee. Based on the results of an evaluation process, the Nominating and Corporate Governance Committee recommends candidates for the Board's approval as director nominees for election to the Board of Directors. The Nominating and Corporate Governance Committee also recommends candidates for the Board's appointments to the committees of the Board.

Engine Settlement Agreement

On May 4, 2016, the Company entered into an agreement (the *Engine Settlement Agreement*) with Engine Capital, L.P., Engine Jet Capital, L.P., Engine Capital Management, LLC, Engine Investments, LLC, and Arnaud Ajdler (collectively, *Engine*), Norwood Capital Partners, LP, Norwood Investment Partners, LP, Norwood Investment Partners GP, LLC, and Charles H. Hoeveler, and Alan L. Bazaar and John A. Janitz (together, the *Engine Appointees*), regarding appointment of members of the Board.

In accordance with the Engine Settlement Agreement, the Company expanded the size of the Board to eight members and appointed Mr. Bazaar and Mr. Janitz to the Board. The Company also agreed to include Messrs.

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Bazaar and Janitz as part of the Company's slate of director nominees for the 2016 Annual Meeting. The parties further agreed that if an Engine Appointee is unable to serve as a director or resigns prior to the expiration of the Standstill Period (defined below) and at such time Engine's ownership percentage is not less than 1% of the Company's then outstanding common stock, Engine will have the ability to recommend an independent and qualified replacement appointee in accordance with the terms of the Agreement. From May 4, 2016 until January 1, 2017 (the Standstill Period), the Company agreed that the Board and all applicable committees of the Board shall take all actions necessary so that the size of the Board is no more than eight directors at any time, unless Engine consents to enlarging the Board.

Procedure for Recommendation of Director Nominees by Shareholders

The Nominating and Corporate Governance Committee will consider director candidates who are recommended by shareholders of the Company. As required by Article I, Section 10 of the Company's Code of Regulations, to recommend a nominee, a shareholder should write to the Company's Corporate Secretary at 425 N. Martingale Road, Suite 1000, Schaumburg, Illinois 60173-2213. Under the Code of Regulations, to be considered by the Nominating and Corporate Governance Committee for nomination and inclusion in the Company's Proxy Statement for its Annual Meeting of Shareholders, a shareholder recommendation for a director must be received by the Company's Secretary no later than 120 days nor more than 240 days prior to the one year anniversary of the preceding Annual Meeting.

Any recommendation must include (i) all information relating to such nominee that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors under Rule 14a-11 of the Exchange Act or in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such shareholder and beneficial owner, if any, and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K; (iii) a representation of the shareholder that he or she intends to appear at the annual meeting to bring such nomination or other business before the annual meeting; and (iv) such other information as may reasonably be required by the Board of Directors as described in the Company's proxy statement for the preceding year's annual meeting. The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as an independent director of the Company or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such nominee.

Further information regarding shareholder recommendation of director candidates is contained in the Nominating and Corporate Governance Committee Charter, which is available at the Company's website at www.sparton.com.

Assuming the appropriate information is provided for candidates submitted by shareholders, the Nominating and Corporate Governance Committee will evaluate those candidates by following the same process, and applying the same criteria, as for candidates submitted by members of the Board of Directors. All director nominees recommended for election at the Annual Meeting are current members of the Board of Directors.

Shareholder Communications Policy

Shareholders should communicate with the Board of Directors by sending a letter to the Sparton Corporation Board of Directors, c/o the Corporate Secretary, 425 N. Martingale Road, Suite 1000, Schaumburg, Illinois

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60173-2213. The Corporate Secretary will receive the correspondence and forward it to the director or directors to whom the communication is directed, unless the communication is unduly hostile, threatening, harassing, illegal, not reasonably related to the Company or its business, or similarly inappropriate. The Corporate Secretary has the authority to discard or disregard any inappropriate communications (other than a proposal submitted pursuant to Rule 14a-8 under the Exchange Act, or any communication made in connection with such a proposal) or to take other appropriate actions with respect to any such inappropriate communications. In addition, the Corporate Secretary is authorized to forward communications that are clearly more appropriately addressed by other departments, such as customer service or accounting, to the appropriate department. The foregoing instructions by the directors to the Corporate Secretary are subject to change by the directors. Additionally, all communications are available to any director who wishes to review them.

Availability of Information at Company Website

The Company's website address is www.sparton.com. Information provided at the website includes, among other items, the Company's Corporate Governance Guidelines, current charters for the Audit, Compensation, and Nominating and Corporate Governance Committees of the Board of Directors, Board committees and their membership, the Company's Code of Business Conduct and Ethics, any Shareholder Letters, the Company's Annual Report, Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and news releases. The information is also available, without charge, by contacting the Shareholders' Relations Department at 1-847-762-5800.

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PROPOSAL 1
ELECTION OF DIRECTORS

Director Nominees

Messrs. Alan L. Bazaar, James D. Fast, Joseph J. Hartnett, John A. Janitz, Charles R. Kummeth, David P. Molfenter, James R. Swartwout, and Frank A. Wilson, current directors whose terms of office expire at the Annual Meeting, are nominees for election to a one year term expiring in 2017 and the election and qualification of their successors. The nominations were made by the Nominating and Corporate Governance Committee and approved by the Board of Directors.

Our Code of Regulations provides that our Board of Directors will consist of not less than seven members, but our Board is authorized to fix and change the actual number of our directors from time to time. In fiscal year 2016, the Board unanimously agreed to increase the size of the Board to eight members, in connection with the Engine Settlement Agreement. Our Code of Regulations also provides that a person shall not be eligible for election as a director of the Corporation if at the time of such election that person has reached the age of 73. Prior to nominating Mr. Janitz, age 73, the Board waived the director age limitation contained in the Company's Code of Regulations.

It is believed that all eight nominees are, and will be at the time of the Annual Meeting, available for election; and, if elected, will serve. Each of the nominees has consented to being named a nominee in this Proxy Statement and has agreed to serve as a director, if elected at the Annual Meeting. However, in the event one or more of them is or should become unavailable, or should decline to serve, it is intended that the proxies will be voted for the balance of the nominees and for such substitute nominee or nominees as the Board of Directors may in its discretion select.

Vote Required for Approval

Each share of common stock is entitled to one vote for each of the eight director positions being filled at the Annual Meeting. In order to elect a nominee as a director of the Company, he or she must receive a greater number of votes cast **FOR** his or her election than **AGAINST** his or her election. Shares not voted at the Annual Meeting, whether by abstention, broker non-vote, or otherwise, will have no effect on the election of directors. See **Outstanding Stock and Voting Rights Quorum and Vote Required** at page 3 for additional information.

Board Recommendations

The Board of Directors recommends a vote FOR the election of each of the eight nominees, Alan L. Bazaar, James D. Fast, Joseph J. Hartnett, John A. Janitz, Charles R. Kummeth, David P. Molfenter, James R. Swartwout, and Frank A. Wilson.

Unless otherwise directed by marking the accompanying proxy, the proxy holders named therein will vote FOR the election of the eight nominees.

Director Biographies

The following table summarizes the specific experience, qualifications, attributes and skills that led the Nominating and Corporate Governance Committee and the Board of Directors to conclude that the following individuals should serve as directors are set forth opposite each individual's name. The Company's Board of Directors consists primarily of individuals with broad leadership and business skills, as detailed below, who have relevant experience with companies ranging in size from smaller to much larger than the Company, including individuals who have served as chief executive officers and chief financial officers of such companies. The Nominating and Corporate Governance Committee and the Board of Directors consider the skill sets both individually and as a whole in considering who to recommend as nominees. The Board of Directors believes that all of the members of the Board have the highest professional and personal ethics and values.

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Director since: 2016

Independent

Alan L. Bazaar, age 46

Mr. Bazaar serves as the Chief Executive Officer of Hollow Brook Wealth Management LLC, a full-service wealth management firm with approximately \$600 million in assets. Prior to Hollow Brook, Mr. Bazaar was a Managing Director and Portfolio Manager at Richard L. Scott Investments, LLC (RLSI). Mr. Bazaar was with RLSI for over ten years where he co-managed the public equity portfolio. He was responsible for all aspects of the investment decision-making process including all elements of due diligence.

Mr. Bazaar serves as the Chair of the Board of Directors of the NYSE-traded Wireless Telecom Group, and is a member of the Board of Directors of NASDAQ-traded Hudson Global, Inc. Mr. Bazaar was formerly a director at LoJack Corporation (Nasdaq: LOJN) where he was a member of the Special Committee and a member of the Nominating and Governance Committee. LoJack was sold to CalAmp Corp. (Nasdaq: CAMP) in March 2016. He was also on the Board of NTS Inc. (Nasdaq: NTS) where he was the Chairman of the Audit Committee until the sale of the Company to Tower Three Partners LLC in June 2014, and on the Board of Media Sciences Inc. (NYSE: MSII) where he was Chairman of the Nominating and Governance Committee, a member of the Audit Committee and a member of the Compensation Committee at different points in time during his tenure on the Board from June 2004 to April 2008. Mr. Bazaar was also on the Board of Airco Industries, Inc., a privately held manufacturer of aerospace products until the sale of the Company to AbelConn Electronics in October 2010. He also is a member of the Investment Advisory Committee of G. Scott Capital Partners, LLC, a private equity firm.

Mr. Bazaar received an undergraduate degree in History from Bucknell University and a MBA from the Stern School of Business at New York University. Mr. Bazaar is also a Certified Public Accountant.

Director since: 2001

Independent

James D. Fast, age 68

Retired since August 2008, formerly Chief Executive Officer, President and Director of Firstbank-West Michigan, Ionia, Michigan. Prior to joining Firstbank, Mr. Fast served as Group Vice President, Michigan National Bank-Michiana. Mr. Fast has forty years of experience in commercial banking and administration. Mr. Fast previously served as a Director of Volcor Finishing, a privately held company in Ionia, Michigan.

Mr. Fast has experience with respect to mergers and acquisitions, negotiation, compliance management and human resource oversight and supervision of financial statement preparation. His extensive skill set with respect to executive management and commercial finance provides the Board with beneficial insights with respect to business and finance matters.

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Director since: 2008

Management

Joseph J. Hartnett, age 60

Mr. Hartnett has been the Interim President and Chief Executive Officer of the Company since February 2016.

Mr. Hartnett has consulted with companies as a C-level executive since 2010. Mr. Hartnett previously served as President and Chief Executive Officer of Ingenient Technologies, Inc., a multimedia software development company located in Rolling Meadows, Illinois, from April 2008 through November 2010. He joined Ingenient as Chief Operating Officer in September 2007 and left Ingenient following the sale of the company and completion of post-sale transition activities. Prior to Ingenient, Mr. Hartnett served as President and Chief Executive Officer of U.S. Robotics Corporation, a global Internet communications product company headquartered in Schaumburg, Illinois, from May 2001 through October 2006. He was Chief Financial Officer of U.S. Robotics from June 2000 to May 2001. Prior to U.S. Robotics, Mr. Hartnett was a partner with Grant Thornton LLP where he served for over 20 years in various leadership positions at the regional, national, and international level.

Mr. Hartnett is a licensed Certified Public Accountant in the State of Illinois, and holds a Bachelor of Science degree in Accounting from the University of Illinois at Chicago.

Mr. Hartnett serves as a director and member of the audit committee, compensation committee and nominating and corporate governance committee of Garmin Ltd. (NASDAQ: GRMN) since June 7, 2013, and is a former director of Crossroads Systems, Inc. (NASDAQ: CRDS), U.S. Robotics Corporation and Ingenient Technologies, Inc.

Mr. Hartnett brings significant industry experience in the areas of international business, operations management, executive leadership, strategic planning and finance, as well as extensive corporate governance, executive compensation and financial experience.

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Director since: 2016

Independent

John A. Janitz, age 73

Mr. Janitz is Chairman and Co-Founding Partner of Evergreen Capital Partners, a financial advisor and investment manager. In this role he also serves as a senior advisor to the private equity firm The Gores Group, where he sources investment opportunities and advises on strategy, technology, manufacturing and operational matters in the industrial sector. Evergreen has previously been engaged by TowerBrook Capital Partners where Mr. Janitz was a member of the Management Advisory Board and by DLJ Merchant Banking Partners, the private equity arm of Credit Suisse where he held the position of Chairman Global Industrial Partners.

Prior to forming Evergreen, Mr. Janitz served as Co-Managing Principal for Questor Partner Funds, a \$1 billion private equity turnaround fund. Before that Mr. Janitz was President, Chief Operating Officer and Member of the Board of Textron Inc. a NYSE-listed multi-industry company with over \$12 billion in worldwide sales. Before Textron, Mr. Janitz was an Executive Vice President with TRW Inc. a multi-national company providing advanced technology products and services. In addition, he served as President of Wickes Manufacturing Company, and held a number of key executive positions with Wickes predecessor company, Gulf+Western Industries, Inc. Mr. Janitz began his career with Ford Motor Company.

Mr. Janitz holds a B.S. degree in mechanical engineering from Villanova University, an M.B.A. from Eastern Michigan University and is a graduate of the Harvard University Advanced Management Program.

Mr. Janitz is a director of Kodak (NYSE:KODK), STR Holdings LLC (NYSE:STRI), Continental Structural Plastics, Taco Inc., and US Farathane. Mr. Janitz previously served as a director at LoJack Corporation (Nasdaq: LOJN), Global SFI Holdings LLC, and LLL Transport Inc.

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Director since: 2011

Independent

Charles R. Kummeth, age 56

Mr. Kummeth has served as the Chief Executive Officer of Bio-Techne Corporation, a Minnesota corporation, since April 2013. Bio-Techne Corporation and its subsidiaries are engaged in the development, manufacture and sale of biotechnology products and hematology calibrators and controls. Mr. Kummeth served as President of the Mass Spectrometry and Chromatography division of Thermo Fisher Scientific, a Delaware corporation that provides services and products within the science industry, from April 2008 through March 2013. He previously served as President of the Medical Product Division of 3M, a Delaware corporation, beginning in 2006. From 2004 to 2006, Mr. Kummeth served as the Managing Director of 3M for the UK and Ireland.

Mr. Kummeth has served on the board of NuSil Technology, a private life sciences and advanced engineering company, since March 2016. He previously served on the board of BSN Medical Inc., a private global medical device company.

Mr. Kummeth received a Bachelor of Science in Electrical Engineering from University of North Dakota in 1983, a Master of Science in Computer Science from University of St. Thomas in 1989, and a Master of Business Administration from the Carlson School of Business at the University of Minnesota in 1993.

Mr. Kummeth has significant industry experience in the areas of serving science, innovative technologies, software and laboratory operations. His extensive skill set with respect to executive management of a global company with high reputation in the scientific community provides the Board with industry expertise and added business insights.

Director since: 2000

Independent

David P. Molfenter, age 71

Mr. Molfenter retired in August 2000. He formerly was Vice President Command, Control, Communication and Information Systems Segment, Raytheon Systems Company, a high technology company specializing in defense electronics, Fort Wayne, Indiana. Mr. Molfenter has a Master of Business Administration from Indiana University and a M.S. Electrical Engineering from Purdue University. Prior to employment with Raytheon Systems Company, Mr. Molfenter served as Chief Executive Officer of Magnavox Electronics Systems, Co. from 1993 to 1995, and as President of Hughes Defense Communications from 1995 to 1997. Since March, 2010, Mr. Molfenter has served as a member of the board of directors of Bowmar, LLC, a privately held company in Fort Wayne, Indiana.

Mr. Molfenter's extensive executive management and board experience, including service as the principal executive officer of multiple companies and his fourteen years with the Company's Board, provides him with the necessary skills to serve on the Board of Directors.

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Director since: 2008
Independent

James R. Swartwout, age 70

Mr. Swartwout has been an advisor to private equity groups since 2008. From October 2006 to September 2008, he was Chief Executive Officer and member of the Board of Directors of Habasit Holding USA, the acquirer of Summa Industries, a California-based, publicly traded manufacturer of diversified plastic products for industrial and commercial markets. From October 1988 to October 2006, Mr. Swartwout held the following positions with Summa Industries (formerly NasdaqGM: SUMX): Chairman of the Board of Directors, Chief Executive Officer and Chief Financial Officer. Mr. Swartwout has served on the boards of directors of numerous public and private companies. He received a Bachelor of Science in Industrial Engineering from Lafayette College and a Master of Business Administration from the University of Southern California.

Mr. Swartwout has extensive experience in a broad array of matters relevant to the affairs of the Company, including mergers, acquisitions and divestitures; management of complex, multi-business corporations; corporate governance and other matters concerning public companies.

Director since: 2015
Independent

Frank A. Andy Wilson, Age 57

Mr. Wilson has been Senior Vice President and Chief Financial Officer at PerkinElmer since 2009. Prior to joining PerkinElmer, Mr. Wilson held key financial and business management roles over 12 years at the Danaher Corporation, including Corporate Vice President of Investor Relations, Group Vice President of Business Development, Group Vice President of Finance for Danaher Motion Group, President of Gems Sensors, and Group Vice President of Finance for the Industrial Controls Group. Previously, Mr. Wilson worked for several years at AlliedSignal Inc., now Honeywell International, where he last served as Vice President of Finance and Chief Financial Officer for Commercial Avionics Systems. His earlier experience includes PepsiCo Inc. in financial and controllership positions of increasing responsibility, E.F. Hutton and Company, and KPMG Peat Marwick. He received a Bachelor of Business Administration, Accounting from Baylor University and is also a Certified Public Accountant.

Mr. Wilson has extensive experience in a broad array of matters relevant to the affairs of the Company, including strategic planning, finance, investor relations and business development in a large public company setting, along with marquee affiliation with the Medical, Industrial and Military & Aerospace Industries.

Table of Contents**PROPOSAL 2****RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS****Relationship with Independent Registered Public Accountants**

The Audit Committee appoints the independent registered public accounting firm to serve as the Company's independent registered public accountant. BDO USA, LLP (BDO USA) is currently the independent registered public accountant for the Company. In addition to performing the audit of the Company's consolidated financial statements, BDO USA provided various other services during fiscal year 2016. The Audit Committee has considered the provision of all non-audit services performed by BDO USA during fiscal year 2016 with respect to maintaining auditor independence. The Audit Committee reviewed and pre-approved all professional services requested of, and performed by, BDO USA. The aggregate fees billed for fiscal year 2016 and 2015 for each of the following categories of services are set forth below.

Pursuant to the Pre-Approval Policy, the Audit Committee annually reviews and pre-approves the services that may be provided by the independent registered public accountant, and such services are considered approved through the next annual review. The Audit Committee revises the list of pre-approved services from time to time based on subsequent determinations. The Audit Committee may delegate pre-approval authority to its Chairman. The Chairman shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Pre-Approval Policy for audit and non-audit services is available on the Company's website at www.sparton.com.

Fees

The following table presents fees for services provided by BDO USA for the years ended July 3, 2016 and June 30, 2015:

(In thousands)	Year Ended	
	July 3, 2016	June 30, 2015
Audit Fees	\$ 572	\$ 424
Audit-Related Fees	43	145
Tax Fees	530	347
All Other Fees	890	20
Total	\$ 2,035	\$ 936

Audit Fees

These fees relate to the audit of the consolidated financial statements, including segment and fiscal 2015 acquisition work, and for other attest services.

Audit-Related Fees

These fees primarily relate to audits of employee benefit plans and, for fiscal 2015, the audit of historical financial statements for one acquisition.

Tax Fees

These fees relate to tax compliance, tax advice and tax planning and tax consultation for contemplated transactions and fiscal 2015 acquisitions.

All Other Fees

These fees are for non-audit related government contract consulting services.

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Auditor Independence

The Audit Committee is required to consider the independence of BDO USA when engaging the firm to perform audit-related and other services. In 2016, it was determined by the Audit Committee that audit-related and other services provided and the fees paid for those services were consistent with maintaining the independence of BDO USA.

Vote Required for Approval

On August 24, 2016, the Audit Committee of the Board of Directors agreed to recommend the appointment of the accounting firm of BDO USA as the independent registered public accountants for the Company for the fiscal year ending July 2, 2017, and, on August 24, 2016, the Board of Directors approved such appointment. The Board of Directors is asking the shareholders to ratify the appointment of BDO USA.

Each share of common stock is entitled to one vote for this Proposal. In order to be adopted, this Proposal must be ratified by the holders of a majority of the shares entitled to vote thereon present in person or represented by proxy at the Annual Meeting. Broker non-votes and abstentions are not counted for purposes of this Proposal. Because this vote is advisory, it will not be binding upon the Board of Directors. However, the Board values the opinion of its shareholders and, in the event that the shareholders do not ratify the appointment by approving this Proposal 2, the Board of Directors and the Audit Committee will consider the selection of other independent registered public accountants.

Board Recommendation

The Board of Directors recommends that shareholders vote FOR the ratification of the selection of BDO USA, LLP by an advisory vote.

Representatives of BDO USA, the Company's independent registered public accounting firm, are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

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PROPOSAL 3

ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION

The Company has designed its executive compensation program to attract, motivate, retain and reward its senior management in order to achieve the Company's corporate objectives and increase value for our shareholders. The Company believes that its compensation policies and procedures are centered on a pay-for-performance philosophy and are aligned with the long-term interests of our shareholders.

The Company is presenting the following proposal, which gives each shareholder the opportunity to have a voice and endorse or not endorse the Company's executive compensation paid to our Named Executive Officers by voting for or against the following resolution:

RESOLVED, that the compensation paid to the Company's Named Executive Officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis and related compensation tables and the narrative discussion, is hereby approved.

As discussed in the Compensation Discussion and Analysis contained in this Proxy Statement, the Compensation Committee of the Board of Directors believes that the executive compensation for fiscal year 2016 is justified by the performance of the Company in a very competitive environment, is reasonable and is the result of a carefully considered approach.

In deciding how to vote on this Proposal, the Company urges you to consider the various factors regarding compensation matters as discussed in the Compensation Discussion and Analysis. Your vote is not intended to address any specific item of compensation, but rather the overall compensation of our Named Executive Officers and the compensation policies and practices described in this Proxy Statement.

Because your vote is advisory, it will not be binding upon the Board of Directors. However, our Board values your opinion and the Board of Directors and the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

Vote Required for Approval

Approval of the proposal requires the affirmative vote of a majority of the shares of our common stock present in person or represented by proxy and entitled to be voted on the proposal at the Annual Meeting. Broker non-votes and abstentions are not counted for purposes of this Proposal.

Board Recommendation

The Board recommends a vote FOR approval of the compensation of the Company's Named Executive Officers as set forth in Proposal 3.

Table of Contents**STOCK OWNERSHIP AND SECTION 16 COMPLIANCE****Director and Executive Officer Beneficial Ownership**

The following table shows the shares of the Company's common stock beneficially owned (except as noted) by the Named Executive Officers, the members of our Board, and all executive officers and directors of the Company as a group as of July 3, 2016. Named Executive Officers, consistent with Item 402(a) of Regulation S-K promulgated under the Exchange Act, include: (i) the Company's Chief Executive Officer and individuals acting in a similar capacity during fiscal year 2016, regardless of compensation level; (ii) all individuals serving as the Company's Chief Financial Officer or acting in a similar capacity during fiscal year 2016, regardless of compensation level; (iii) the Company's three most highly compensated executive officers other than the Chief Executive Officer and the Chief Financial Officer who were serving as executive officers at the end of fiscal year 2016; and (iv) up to two additional individuals who would have been included under (iii) above but for the fact that the applicable individual was not serving as an executive officer of the Company at the end of fiscal year 2016.

Name of Beneficial Owner	Number of Shares		Shares Underlying Options (2)	Total Number of Shares Beneficially Owned	Percent of Class (3)
	Unrestricted	Restricted (1)			
Alan L. Bazaar (4)	1,095			1,095	*
James D. Fast (5)	36,053			36,053	*
Joseph J. Hartnett	23,580			23,580	*
John A. Janitz (6)	1,095			1,095	*
Charles R. Kummeth	13,943			13,943	*
David P. Molfenter	38,802			38,802	*
James R. Swartwout (7)	40,085			40,085	*
Frank A. Andy Wilson	5,718			5,718	*
Cary B. Wood (8)	172,757			172,757	1.75%
Joseph G. McCormack (9)	2,000			2,000	*
Gordon B. Madlock	18,353	11,885	1,908	32,146	*
Joseph T. Schneider	1,000		1,268	2,268	*
Steven M. Korwin	30,167	9,527	1,275	40,969	*
All Directors and executive officers as a group	441,038	44,967	8,086	494,091	5.01%

*denotes a percentage of less than 1%

- (1) Restricted shares are restricted subject to the 2010 LTIP (described below at page 36). The restricted shares vest in four equal installments commencing approximately one year from the date of the grant, subject to achievement of certain performance metrics that are based on the audited financial statements of the Company.
- (2) Amounts reflect shares under options held by executive officers and directors exercisable as of July 3, 2016.
- (3) Calculation is based on total shares outstanding as of July 3, 2016, being 9,845,469 shares of common stock, plus shares deemed to be beneficially owned by virtue of options to purchase those shares, if any, held by the applicable person or group for which the calculation is made.
- (4) Mr. Bazaar was appointed to the Company's board of directors effective May 4, 2016.
- (5) Includes 23,379 shares over which Mr. Fast's spouse shares voting and investment control.
- (6) Mr. Janitz was appointed to the Company's board of directors effective May 4, 2016.

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- (7) Includes 39,085 shares over which Mr. Swartwout's spouse shares voting and investment control.
- (8) Mr. Wood served as President and Chief Executive officer through February 5, 2016. The information that is included herein with respect to Mr. Wood is based solely on the Company's records.
- (9) Mr. McCormack became Chief Financial Officer of the Company on September 7, 2015.

Table of Contents**Principal Shareholders**

As of July 3, 2016, unless otherwise described in the footnotes below, the persons named in the following table were known by management to be the beneficial owners of more than 5% of the Company's outstanding common stock. Certain of the beneficial owners listed below share voting and investment power over their respective shares of Company common stock, as detailed in the footnotes below. As a result, certain of the share amounts and percentages stated below are held by multiple beneficial owners.

Name and Address of Beneficial Owner	Beneficial Ownership	Percent of Class (4)
Dimensional Fund Advisors, LP Palisades West, Building One, 6300 Bee Cave Road Austin, Texas 78746	840,163(1)	8.53%
Beddow Capital Management Inc. 250 Healdsburg Avenue, Suite 202 Healdsburg, California 95448	756,475(2)	7.68%
Janus Capital Management LLC 151 Detroit St. Denver, Colorado 80206-4805	541,906(3)	5.50%

- (1) The shares presented are according to information included in the Schedule 13G filed February 9, 2016, by Dimensional Fund Advisors LP (Dimensional), a registered investment advisor. Dimensional is deemed to have beneficial ownership of 840,163 shares of common stock, with sole voting power over 831,539 shares and sole investment power over 840,163 shares. Dimensional disclaims beneficial ownership of all such shares.
- (2) The shares presented are according to information in the Schedule 13G filed on February 8, 2013 by Beddow Capital Management Inc. (Beddow), an investment adviser. Beddow is deemed to have beneficial ownership of 756,475 shares of common stock, with sole voting and shared investment power over such shares. Beddow states in its filing that the filing should not be construed as an admission that Beddow is the beneficial owner of such shares. Beddow has not amended its filing in fiscal 2014, 2015, or 2016.
- (3) The shares presented are according to information in the Schedule 13G filed on February 16, 2016 by Janus Capital Management LLC (Janus), an investment manager. Janus is deemed to have beneficial ownership of 541,906 shares of common stock, with sole investment and sole voting power over 541,906 shares. Janus disclaims beneficial ownership of all such shares.
- (4) Calculation is based on total shares outstanding as of July 3, 2016, being 9,845,469 shares of common stock, plus shares deemed to be beneficially owned by virtue of options to purchase those shares, if any, held by the applicable person or group for which the calculation is made.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than 10% shareholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file. Based solely upon a review of the copies of the forms furnished to the Company, and/or written representations from certain reporting persons, the Company believes that all filing requirements applicable to its officers and directors were met during the fiscal year ended July 3, 2016, other than as set forth below.

James D. Shaddix inadvertently filed one Form 4 late, which included a single transaction relating to an open market or private sale of a non-derivative security. SEC rules promulgated under the Exchange Act require the Company to disclose all known delinquent Section 16(a) filings by its officers, directors and greater than 10% shareholders.

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EXECUTIVE OFFICER AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

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Executive Summary

In this section, we describe the material components of our executive compensation program for our Named Executive Officers, whose compensation is set forth in the 2016 Summary Compensation Table and other compensation tables contained in this Proxy Statement:

Joseph J. Hartnett, Interim President and Chief Executive Officer;
Cary B. Wood, former President and Chief Executive Officer (resigned from the Company effective February 5, 2016);
Joseph G. McCormack, Senior Vice President, Chief Financial Officer;
Gordon B. Madlock, Senior Vice President, Operations;
Steven M. Korwin, Senior Vice President, Quality and Engineering; and
Joseph T. Schneider, Senior Vice President, Sales and Marketing.

We also provide an overview of our executive compensation philosophy and our executive compensation program. In addition, we explain how and why the Compensation Committee of our Board of Directors (the Committee) arrives at specific compensation policies and decisions involving the Named Executive Officers.

Our Business

General

The Company is a provider of design, development and manufacturing services for complex electromechanical devices, as well as sophisticated engineered products complementary to the same electromechanical value stream. The Company serves the Medical & Biotechnology, Military & Aerospace and Industrial & Commercial markets through two reportable business segments; Manufacturing & Design Services (MDS) and Engineered Components & Products (ECP). The MDS segment represents the Company's contract manufacturing and design services where the customer owns the related intellectual property. The ECP segment represents the Company's manufacturing and design services where the Company owns the related intellectual property.

All of the Company's facilities are certified to one or more of the ISO/AS standards, including ISO 9001, AS9100 and ISO 13485, with most having additional certifications based on the needs of the customers they serve. The majority of the Company's customers are in highly regulated industries where strict adherence to regulations such as the International Tariff and Arms Regulations (ITAR) is necessary. The Company's products and services include offerings for Original Equipment Manufacturers (OEM) and Emerging Technology (ET) customers that utilize microprocessor-based systems which include transducers, printed circuit boards and assemblies, sensors and electromechanical components, as well as development and design engineering services relating to these product sales. Sparton also develops and manufactures sonobuoys, anti-submarine warfare (ASW) devices used by the United States Navy as well as by foreign governments that meet Department of State licensing requirements and manufactures rugged flat panel display systems for military panel PC workstations, air traffic control and industrial applications, as well as high performance industrial grade computer systems and peripherals. Many of the physical and technical attributes in the production of these proprietary products are similar to those required in the production of the Company's other electrical and electromechanical products and assemblies.

Manufacturing and Design Services

Manufacturing and Design Services segment operations are comprised of contract design, manufacturing and aftermarket repair and refurbishment of sophisticated printed circuit card assemblies, sub-assemblies, full product assemblies and cable/wire harnesses for customers seeking to bring their intellectual property to market. Customers include OEM and ET customers serving the Medical & Biotechnology, Military & Aerospace and Industrial & Commercial markets. In manufacturing for its customers, this segment adheres to very strict military and aerospace specifications, Food and Drug Administration (FDA) guidelines and approvals, in addition to product and process certifications. Sparton additionally is a leading developer of embedded software and software quality assurance services in connection with medical devices and diagnostic equipment.

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Engineered Components and Products

Engineered Components and Products segment operations are comprised of design, development and production of proprietary products for both domestic and foreign defense as well as commercial needs. Sparton designs and manufactures ASW devices known as sonobuoys for the U.S. Navy and foreign governments that meet Department of State licensing requirements. This segment also performs an engineering development function for the United States military and prime defense contractors for advanced technologies ultimately leading to future defense products as well as replacements for existing products. The sonobuoy product line is built to stringent military specifications. These products are restricted by ITAR and qualified by the U.S. Navy, which limits opportunities for competition. Sparton is also a provider of rugged flat panel display systems for military panel PC workstations, air traffic control and industrial and commercial marine applications, as well as high performance industrial grade computer systems and peripherals. Rugged displays are manufactured for prime contractors, in some cases to specific military grade specifications. This segment is also a provider of high performance industrial grade computer systems and peripherals. Additionally, this business unit internally develops and markets commercial products for underwater acoustics and microelectromechanical (MEMS)-based inertial measurement.

For a more detailed discussion of our business, please see Part I, Item 1, *Business*, of our Annual Report on Form 10-K for the year ended July 3, 2016.

2016 Business Highlights

Annual revenue growth of 10% to \$419 million as compared to prior year.

MDS new program win revenue for fiscal year 2016 was \$61 million compared to \$30 million for fiscal year 2015.

ECP new program win revenue for fiscal year 2016 was \$51 million compared to \$32 million for fiscal year 2015.

Announced the exploration of a potential sale of the Company.

Closed the Lawrenceville, GA manufacturing operations and consolidated the Irvine, CA design center into the Irvine, CA manufacturing operations.

Wrote off entire \$64.2 million balance of goodwill associated with MDS segment.

Amended the Company's revolving credit facility, decreasing committed facility size from \$275 million to \$175 million, decreased the facility's accordion feature from \$100 million to \$50 million, and increased the permitted total funded debt-to-EBITDA ratio.

2016 Key Compensation Highlights

The Committee engaged Meridian Compensation Partners, LLC (Meridian) to provide compensation information of our peer companies.

The Committee identified our 20 key peer companies in collaboration with Meridian based on Committee-selected criteria

The Committee continued alignment of short term and long term incentive plan goals with the achievement of specific annual and long term financial goals

The Committee completed the annual review of the Compensation Committee Charter

The Committee reviewed Named Executive Officer stock ownership progress

2016 Compensation Committee and Governance Highlights

We maintain comprehensive governance standards based on best practices, including the oversight of our executive compensation policies and practices. The following policies and practices were in effect during 2016:

We have reviewed our charter to ensure continued compliance with NYSE and SEC rules.

We maintain a majority vote for the election of the directors in uncontested elections (and require tender of resignation by any incumbent director who is not re-elected) and plurality voting in any election that is contested.

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Our leadership structure consists of a Chairman of the Board, a separate CEO, and strong independent Board committee chairs.

Our Committee retained an independent compensation consultant, Meridian, which performs no other consulting or other services for us.

Our Committee is comprised solely of independent directors.

Our Committee conducts an annual review and approval of our compensation strategy, including a review of our compensation-related risk profile, to ensure that our compensation-related risks are not reasonably likely to have a material adverse effect on us.

We maintain a clawback policy that provides that, in connection with any restatement of our financial statements due to material non-compliance with financial reporting requirements, it is our policy to require forfeiture by current and former executive officers of incentive based compensation in accordance with applicable laws, rules and regulations.

Consideration of Last Year's Say On Pay Vote.

Following our annual meeting of shareholders in November 2015, the Committee reviewed the results of the shareholder advisory vote on executive compensation that was held at the meeting with respect to the fiscal year 2015 compensation of the Named Executive Officers. 91.9 percent of the votes cast (excluding abstentions and broker non-votes) were voted in support of the compensation of our Named Executive Officers set forth in the Compensation Discussion and Analysis, the 2015 Summary Compensation Table and the related compensation tables and narratives in last year's proxy statement.

After considering the results of the 2015 Say On Pay vote, which indicate that our shareholders overwhelmingly approve of our methodology for establishing compensation, as well as the other factors considered in determining executive compensation as described in this Compensation Discussion and Analysis, the Committee was encouraged to continue its practices in determining executive compensation.

Specific Compensation and Corporate Governance Policies and Practices

Our compensation philosophy and related governance features are complemented by several specific policies and practices that are designed to align our executive compensation with long-term shareholder interests, including:

We have stock ownership guidelines for our executive officers, including the Named Executive Officers and members of our Board, that are applicable within five years of eligibility under the LTIP for the Named Executive Officers and within five years of Board appointment for our directors. Each of the members of our Board has met his individual stock ownership level under the guidelines in effect for fiscal year 2016, except for Mr. Frank A. Wilson who joined the Board in fiscal year 2015, and John A. Janitz and Alan L. Bazaar who both joined the Board in fiscal year 2016. Mr. Steven M. Korwin is the only Named Executive Officer who has met these guidelines for fiscal year 2016. Mr. Joseph J. Hartnett, as Interim President and Chief Executive Officer, is not eligible for the LTIP, Mr. Joseph G. McCormack was hired in fiscal year 2016, and Mr. Joseph T. Schneider was hired in fiscal year 2015. The guidelines were revised in June of 2014, as described at page 39 below.

We have a policy prohibiting all employees, including Named Executive Officers and members of our Board, from engaging in any hedging transactions with respect to our equity securities held by them.

Under our Insider Trading Policy, certain of our employees and consultants, including executive officers and members of our Board, are prohibited from pledging shares of our capital stock without first obtaining pre-clearance of the transaction from our Compliance Officer. None of these covered individuals have pledged their stock.

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Our Executive Officers, including the Named Executive Officers, receive minimal perquisites or other personal benefits.

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Key Features of Our 2016 Executive Compensation Program

What We Do

Align CEO Pay with Company Performance:

Our CEO's direct compensation is aligned with revenue growth and profitability (other than base salary).

Review Named Executive Officer Pay against Peers' Executive Officer Pay:

A reputable executive compensation consultant, Meridian, was engaged to provide the Committee with broad market-based compensation data of peer group companies based on Committee-selected criteria to permit the Committee to analyze whether the total compensation of the Named Executive Officers is competitive.

Use Long-Term Incentives to Link a Significant Portion of All Current Named Executive Officer Pay to Company Performance:

33% of annual pay for our Named Executive Officers is linked to either our long term Valuation Index or stock options related to vesting of awards granted under our 2010 LTIP. The components and calculations of these programs correlate directly to the profitability growth of the Company. The Deferred Compensation Plan adopted in fiscal 2014, as amended, permits participants to defer certain aspects of their compensation, creating additional incentive to focus on long-term planning.

Balance Short-Term and Long-Term Incentives:

The incentive programs provide an appropriate balance of annual and long-term incentives and include multiple measures of financial performance.

Cap Short Term Incentive Awards:

Awards under our annual Short Term Incentive Plan are capped at 200% of target.

What We Don't Do

Determine Named Executive Officer Pay based only on External Market Compensation Data:

The Committee and Board have approved compensation for our Named Executive Officers both above and below the external market data points. These decisions are individually based upon job scope, job performance, years of related work experience, annual company performance, and our talent attraction and retention strategies.

No Hedging of Company Stock:

Our Named Executive Officers are prohibited from hedging their company stock.

No Tax Gross Ups:

We do not provide tax reimbursements unless they are provided pursuant to our standard relocation practices.

Mitigate Excessive Risk-taking Behaviors by Named Executive Officers:

Our executive compensation program includes features that reduce the possibility of our Named Executive Officers, either individually or as a group, making excessively risky business decisions that could maximize short-term results at the expense of long-term value.

Require Named Executive Officers to Maintain Stock Ownership:

Under our guidelines, the Chief Executive Officer of the Company must attain stock ownership equal to 300% of base salary and the other Named Executive Officers must attain stock ownership equal to 150% of base salary, in each case within 5 years of LTIP eligibility.

Authorize the Board to Recoup Executive Compensation:

In connection with any restatement of the Company's financial statements due to material noncompliance by the Company with any financial reporting requirements under applicable securities laws, it is the policy of the Board of Directors to require forfeiture by current and former executive officers of incentive based compensation in accordance with applicable laws, rules and regulations.

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Discourage Pledging of Company Stock:

Under our Insider Trading Policy, certain of our employees and consultants, including executive officers, and members of our Board, are prohibited from pledging shares of our capital stock without first obtaining pre-clearance of the transaction from our Compliance Officer. None of these covered individuals have pledged their stock.

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Compensation Philosophy and Objectives

Guiding Principles

Our compensation philosophy has the objective of fair, competitive and performance-based compensation of our management team, including the Named Executive Officers. We believe that the total compensation of management should be aligned with our performance. While the specific programs may be modified from year to year, our compensation philosophy is consistent in aligning compensation to the attainment of our corporate strategy. The Committee seeks to reward performance with cost-effective compensation that aligns employee efforts with our corporate strategy through adherence to the following compensation policies:

Total compensation should strengthen the relationship between pay and performance by including and emphasizing variable, at-risk compensation that is dependent on achieving specific corporate, business function, and/or individual performance goals.

An element of pay should be long-term incentives to align management interests with those of our shareholders.

An element of pay should also be short-term incentives to reward performance in the subject fiscal year based on achievement of our annual performance goals.

Total compensation opportunities should enhance our ability to attract, retain and develop knowledgeable and experienced executives.

Total compensation should be competitive in the marketplace based on a review of similarly sized manufacturers and identified peer companies and the comparable compensation paid to executives of such similarly sized manufacturers and peer companies.

Our overall compensation philosophy is generally to pay our employees, including Named Executive Officers, competitively based on market data and commensurate with our performance. The market data includes information such as salary reports for the manufacturing industry generally and specifically for peer companies. The Committee and Board, with input from management, use the market data points to determine what fair and reasonable compensation would be based on our performance. The Committee also consults with management, and outside accounting and legal advisors as appropriate. The Committee and Board have approved compensation to our management both above and below the market data points. See the narrative discussion beginning at page 31 below for a detailed discussion of our long-term and short-term incentive plans.

Importance of Our Corporate Values

The Sparton Corporate Values guide us in fulfilling our responsibilities to our customers, employees, communities, and shareholders.

Sparton Corporate Values

Performance Excellence: We demand performance excellence in all that we do.

Integrity: We demand integrity of ourselves, our products, and our services.

Teamwork & Accountability: We foster growth and success in an environment of teamwork, collaboration, empowerment, and accountability.

Growth: We develop long term, trusting relationships to ensure mutually profitable growth.

Safety: We will maintain a safe and environmentally sound workplace.

Citizenship: We will be good corporate citizens in the communities in which we reside.

In assessing our Named Executive Officers' contributions to Sparton's performance, the Committee not only looks to results-oriented measures of performance, but also considers how those results were achieved—whether the decisions and actions leading to the results were consistent with the values embodied in our Corporate Values—and the long-term impact of a Named Executive Officer's decisions. Corporate Values-based behavior is not

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something that can be precisely measured; thus, there is no formula for how Corporate Values-based behavior can, or will, impact an executive's compensation. The Committee and the CEO use their judgment and experience to evaluate whether an executive's actions were aligned with our Corporate Values.

How We Make Compensation Decisions

Role of the Compensation Committee

The Committee is comprised of four independent directors, as defined under the rules of the NYSE. The Committee is responsible for the review and approval of all aspects of our executive compensation program. Among its duties, the Committee is responsible for formulating the compensation recommendations for our CEO and non-CEO executive officers. The recommendation of the Committee must be approved, with respect to the CEO, by the independent directors of the Board, and with respect to the non-CEO executive officers, by the full Board. In addition, the Committee:

Reviews our incentive and compensation plans and programs;

Evaluates annually the CEO's and non-Executive Officers' compensation levels and payouts against various financial and non-financial measures.

The Committee is supported in its work by our CEO and Compensation Consultants, as described below.

The Committee's charter, which sets out its duties and responsibilities and addresses other matters, can be found on our website at www.sparton.com.

Role of the Chief Executive Officer

Each year our CEO makes recommendations with respect to the compensation of our non-CEO executive officers and our Committee reviews these recommendations with the CEO and the appropriate human resources personnel. The CEO's recommendations are based upon his assessment of each executive officer's performance, the performance of the individual executive officer's respective business or function, and employee retention considerations. Our Committee reviews the CEO's recommendations, and approves any compensation changes affecting our executive officers as it determines in its sole discretion. Our CEO does not play any role with respect to any matter affecting his own compensation.

Role of the Compensation Consultant

During 2016, the Committee retained Meridian, approved its compensation, determined the nature and scope of its services, evaluated its performance, and had the authority to terminate its engagement. Meridian provided no other services to the Company.

During 2016, Meridian performed the following specific services which were customized based on parameters not developed by Meridian and about which Meridian did not provide the Committee or the Company with advice.

Provided us with a list of potential peer companies utilizing our 8 digit Global Industry Classification Standard (GICS) codes, annual revenue, and market cap.

Provided us with benchmarking for the fiscal year 2017 LTIP grants and the executive retention bonus awards.

Provided clarification of evolving SEC and NYSE regulations on executive compensation.

Peer Companies

Our executive compensation package is designed to be competitive in the market and commensurate with our performance. In making compensation decisions, we analyze executive compensation paid at selected peer companies. Meridian provided our Committee with a list of potential peer companies based on their 8 digit GICS

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codes, revenue, and market cap. The Committee reviewed this list and then selected the peer companies it believes are most comparable to us. The Committee then requested that Meridian provide it with compensation information, including incentive awards, from such peer companies. The annual revenues of the peer companies during their most recent fiscal year ranged from \$167 million to \$816 million, with the median revenue being \$363 million. Our annual revenue for fiscal year 2016 is \$419 million.

The Committee uses the data obtained from Meridian, proxy statements of peer companies, and broad-based market driven compensation surveys published from time to time by national human resources consulting firms, together with other information, to assist it in determining the compensation of the Named Executive Officers. The Committee does not target compensation to any specific percentile paid by such peer or other companies, but rather considers compensation of peer and such other companies as one of the factors in making compensation decisions. As noted, the Committee approves compensation to the Named Executive Officers both above and below market data points.

For 2016 executive compensation, our peer companies were:

- | | |
|------------------------------|-------------------------------|
| AeroVironment, Inc | Kimball Electronics, Inc. |
| Analogic Corporation | LMI Aerospace Inc. |
| AngioDynamics Inc | Maxwell Technologies, Inc. |
| API Technologies Corp. | Mercury Systems, Inc. |
| Astronics Corporation | Newport Corp. |
| CTS Corporation | Raven Industries Inc. |
| Ducommun Inc. | Sigmatron International, Inc. |
| Exactech Inc. | SMTC Corporation |
| Integer Holdings Corporation | Sypris Solutions, Inc. |
| Key Tronic Corporation | Universal Electronics Inc. |

Elements of Compensation

The key elements of our executive compensation program are base salary, short-term (annual) incentive and long-term (multi-year) incentive compensation. These elements are addressed separately below.

The Committee does not exclusively use mathematical formulas to determine compensation. In setting each element of compensation, the Committee considers all elements of an executive's total compensation package, including base salary, incentive compensation, and the value of benefits.

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The following table includes various elements of our executive compensation program, the primary purpose of each element, form of compensation for each element and primary actions taken in fiscal year 2016.

Element	Primary Purpose	Form of Compensation
Base Salary	To provide base compensation for the day to day performance of job responsibilities	Cash
Short-Term Incentives	To reward performance during the current fiscal year based on the achievement of annual performance goals	Cash (STIP, described under <i>STIP Generally</i> , on page 32 below)
Bonuses	To reward individual performance based on evaluation by, and in discretion of, the Committee	Cash
Retention Bonuses	To retain certain executives and key employees.	Cash and stock-based compensation
Long-Term Incentives	To reward improvement in our long term performance, thereby aligning with the financial interests of our shareholders	Stock-based compensation, e.g., options, restricted stock awards and restricted stock units (2010 LTIP, described under <i>2010 LTIP</i> , on page 36 below)
Other Executive Benefits	To provide a broad-based executive compensation program for executive attraction, retention, retirement and health	Retirement programs, health and welfare programs, employee benefit plans, change of control provisions, programs and arrangements generally available to all employees and limited perquisites (on page 39 below).

The following is a narrative description of each of the key elements of our executive compensation programs.

Base Salaries

A competitive base salary provides the foundation for a total compensation package required to attract, retain, and motivate executive officers and other members of management, including the Named Executive Officers, in alignment with our business strategies. The Committee reviews the proposed annual base salaries for executive officers and management (including the Named Executive Officers other than the Chief Executive Officer) with the Chief Executive Officer and the appropriate human resources personnel, and with modifications considered appropriate, provides a recommendation to the Board for its approval. The Committee independently reviews and sets base salary for the Chief Executive Officer, subject to the approval of the independent members of the Board of Directors.

Base salaries are initially premised upon the responsibilities of each Named Executive Officer and may be further adjusted based on market surveys and related data, including individual experience levels and performance judgments as to the past and expected future contributions of the applicable Named Executive Officer. The Committee reviews each Named Executive Officer's base salary annually.

Short-Term Incentives***STIP Generally***

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On June 26, 2009, the Board of Directors approved and adopted the Sparton Short-Term Incentive Plan (the "STIP"). The STIP did not require shareholder approval. On April 28, 2016, the Board of Directors approved and

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adopted the First Amendment to the STIP, which provides for pro rata payment of awards to certain employees upon a change of control, as defined in the Amendment. The purpose of the STIP is to increase shareholder value and ensure our success by motivating participants to achieve all defined financial and operating goals and strategic objectives of the business in line with our corporate strategy. The STIP is further intended to attract and retain key employees essential to the success of the business and to provide competitive compensation programs consistent with market competitive pay practices.

The Committee has been appointed by the Board of Directors to administer the STIP. The Committee, with the approval of the Board of Directors, annually selects our executive or key employees, including our President and Chief Executive Officer, Chief Financial Officer and Named Executive Officers, to be participants in the STIP. The first annual performance period for which awards under the STIP were made was fiscal year 2010.

The Board of Directors, in its sole discretion, may amend or terminate the STIP, or any part thereof, at any time and for any reason. The amendment, suspension or termination of the STIP will not, without the consent of the participant, alter or impair any rights or obligations under any actual incentive award previously earned by such participant. No award may be granted during any period of suspension or after termination of the STIP. The STIP will remain in effect until terminated.

As discussed above, our overall compensation philosophy, including with respect to awards under the STIP, is generally to pay our employees competitively based on market data, and commensurate with our performance which is aligned to achieve our corporate strategy. Working together, the Committee along with the Chief Executive Officer and the appropriate human resources personnel, reviews the individual incentive plans and awards to be made to executives and key employees under the STIP (other than the Chief Executive Officer, whose awards are only reviewed by the Committee). The recommendations of the Committee are subject to approval of the Board of Directors.

How Awards Are Determined Under The STIP

The Committee, subject to approval by the Board of Directors, establishes an individual target award for each participant equal to a percentage of such participant's salary. The Chief Executive Officer (other than with respect to himself) and the appropriate human resources personnel, recommend, and the Committee, in its sole discretion, considers, determines and approves the performance goals and objectives applicable to any actual incentive award. The performance goals and objectives are driven by achievement of our corporate strategy and may be on the basis of any performance factors the Committee determines relevant, including individual, business unit or Company-wide performance. Failure to meet the performance goals and objectives of the annual performance period will result in the participant's failure to earn the actual incentive award, except as otherwise determined by the Committee. Actual incentive award payments will be determined, based on verified achievement levels of established performance goals and objectives for the annual performance period, by the Committee and approved by the Board of Directors.

For each annual performance period, the Committee, subject to approval by the Board of Directors, establishes an incentive award pool (the STIP Pool) based on achievement of the financial objectives. Payment of each actual incentive award is made as soon as practicable as determined by the Committee after the completion of the independent audit and filing of the Annual Report on Form 10-K for the annual performance period during which the actual performance award was earned. Unless otherwise determined by the Committee, to receive payment of an actual incentive award, a participant must be employed by us or any affiliate on the last day of the annual performance period, and, subject to certain exceptions in the event of a participant's death or disability, on the date of payment of the actual incentive award. Actual incentive awards are paid from the incentive award pool in cash in a single lump sum. The Committee may, in its sole discretion, grant an award for an extraordinary individual contribution which substantially benefits us but is not reflected in the achievement of a participant's individual goals.

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The Committee, with the approval of the Board of Directors, selected 100 key employees, including the Named Executive Officers, to be participants in the STIP for the annual performance period ending July 3, 2016 and established target awards for that period in line with our corporate strategy based on EBITDA and Net Sales (each term as defined below) and personal objectives, the funding for which came from the STIP Pool. The individual target award percentages for these participants ranged from 10% to 85% of a participant's base salary. These components were weighted separately for each participant. Awards were payable on a graduated scale ranging from a threshold of 50% of the target award for each component up to a maximum of 200% of the target award for that component, subject to availability of funds under the STIP Pool. No award for a component was payable if performance was below the threshold. The STIP Pool for fiscal year 2016 was set at \$3,686,833, assuming achievement of 100% of the target financial objective described under *Target for Objectives under the STIP*, below.

Target Awards as a Percentage of Base Salary under the STIP. The following table sets forth the target awards for each of the Named Executive Officers as a percentage of their base salaries for fiscal year 2016:

Named Executive Officer	Target Award as a Percentage of Base Salary
Joseph J. Hartnett (1)	
Cary B. Wood	85%
Joseph G. McCormack	45%
Gordon B. Madlock	45%
Joseph T. Schneider	45%
Steven M. Korwin	45%

(1) As Interim President and CEO, Mr. Hartnett does not participate in the STIP.

Target for Objectives under the STIP. The following table sets forth the threshold, target, maximum and actual amounts, in thousands, for each of the EBITDA and Net Sales objectives for fiscal year 2016:

Objective	Threshold	Target	Maximum	Actual
EBITDA (1)	\$ 45,500	\$ 49,900	\$ 58,400	\$ 28,820
Net Sales (2)	\$ 455,000	\$ 479,200	\$ 560,700	\$ 419,632

(1) EBITDA means earnings before interest, provision for income taxes, depreciation and amortization, as adjusted for fiscal 2016.

(2) Net Sales means total net sales generated during fiscal year 2016, as adjusted.

STIP Targets and Actual Awards. The following table sets forth the objectives for each Named Executive Officer under the STIP, the percentage of each objective as related to the total potential award under the STIP, and the threshold, target, maximum and actual STIP awards for each Named Executive Officer:

Named Executive Officer	Objectives	Percentage of Total Award (%)	Threshold (\$)	Target (\$)	Maximum (\$)	Actual (\$) (1)
Joseph J. Hartnett (2)	EBITDA					
	Net Sales					
Cary B. Wood (3)	EBITDA	75	183,281	366,563	733,125	
	Net Sales	25	61,094	122,188	244,375	