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MEMORANDUM

ORIGINAL

DATE: May 15, 2007  
TO: Michigan Economic Growth Authority  
FROM: Jim Donaldson, Vice President  
Business Development  
SUBJECT: Briefing Memo – Sparton Corporation  
Standard Credit

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COMPANY NAME AND ADDRESS:

Sparton Corporation  
2400 East Ganson Street  
Jackson, MI 49202

HISTORY OF COMPANY:

Sparton Corporation (NYSE:SPA) now in its 107th year, provides high mix, low to medium volume electronics design and manufacturing services utilizing seven manufacturing locations. In addition to strong core surface mount technology (SMT) and plated through-hole (PTH), printed circuit board assembly (PCBA) and complete assembly manufacturing capabilities, Sparton offers a complete range of pre-manufacturing and post-manufacturing services. Pre-manufacturing services include product development, concurrent engineering, design for test (DFT), design for manufacturing (DFM), design for assembly (DFA), printed circuit board design and quick-turn prototyping. Post-manufacturing services range from repair depot, direct ship, distribution management to field support. Sparton employs over 1,100 associates with 132 employed in Michigan.

PROJECT DESCRIPTION:

Sparton Corporation is considering the reconfiguration of its existing Blackman Township, Jackson County facility to accommodate the expansion of engineering and production of printed circuit card assemblies for aerospace and other applications. This expansion will require capital investment of approximately \$2.7 million. Within five years the company will create 100 new jobs, paying an average weekly wage of \$566.

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**BENEFITS TO STATE:**

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will create a total of 188 jobs in the state by the year 2020. We also estimate that the project would create total state government revenues through the year 2020, net of MEGA cost and adjusted for inflation, of \$5.9 million (2007 dollars) due to the location of this facility.

**BUT FOR:**

Sparton is also considering Brooksville, Florida, for this expansion, where they already have a facility. The company would not need to invest in its Brooksville facility because it is a newer facility and currently has the machinery and equipment to handle this expansion. In addition, labor and benefits costs are considerably lower in Florida.

**OTHER STATE AND LOCAL ASSISTANCE:**

The Charter Township of Blackman is prepared to support a 50 percent, 10-year abatement of the company's property taxes related to investments in new real and personal property. The abatement on the company's new investment has an estimated value of \$227,000. The Township has scheduled a public hearing for May 14, 2007, to establish an Industrial Development District and will also consider the tax abatement.

Additionally, the State of Michigan is offering up to \$350,000 in Community Development Block Grant funds for the training of 35 new hires to support an additional phase of this project.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for 12 years, for up to 100 net new employees.