

STRATTEC SECURITY CORP  
Form 10-Q  
May 08, 2009

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 29, 2009

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-25150

STRATTEC SECURITY CORPORATION  
(Exact Name of Registrant as Specified in Its Charter)

Wisconsin  
(State of Incorporation)

39-1804239  
(I.R.S. Employer  
Identification No.)

3333 West Good Hope Road, Milwaukee, WI 53209  
(Address of Principal Executive Offices)

(414) 247-3333  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer  Accelerated filer  Non-accelerated filer  (Do not check if a smaller reporting company) Smaller Reporting Company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES \_\_\_ NO X

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Common stock, par value \$0.01 per share: 3,261,079 shares outstanding as of March 29, 2009

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STRATTEC SECURITY CORPORATION  
FORM 10-Q  
March 29, 2009

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PROSPECTIVE INFORMATION

A number of the matters and subject areas discussed in this Form 10-Q contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "would," "expect," "intend," "may," "planned," "potential," "will," and "could," or the negative of these terms or words of similar meaning. These statements include expected future financial results, product offerings, global expansion, liquidity needs, financing ability, planned capital expenditures, management's or the Company's expectations and beliefs, and similar matters discussed in this Form 10-Q. The discussions of such matters and subject areas are qualified by the inherent risks and uncertainties surrounding future expectations generally, and which may materially differ from the Company's actual future experience.

The Company's business, operations and financial performance are subject to certain risks and uncertainties, which could result in material differences in actual results from the Company's current expectations. These risks and uncertainties include, but are not limited to, general economic conditions, in particular relating to the automotive industry, the impact of the Chrysler bankruptcy filing on the Company, customer demand for the Company's and its customers' products, competitive and technological developments, customer purchasing actions, foreign currency fluctuations, costs of operations and other matters described under "Risk Factors" in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this Form 10-Q and in the section titled "Risk Factors" in the Company's Form 10-K report filed with the Securities and Exchange Commission for the year ended June 29, 2008.

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Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are only made as of the date of this Form 10-Q and the Company undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances occurring after the date of this Form 10-Q.

## Item 1 Financial Statements

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (In Thousands, Except Per Share Amounts)  
 (Unaudited)

	Three Months Ended		Nine Months Ended	
	March 29, 2009	March 30, 2008	March 29, 2009	March 30, 2008
Net sales	\$ 29,348	\$ 38,428	\$ 97,878	\$ 121,075
Cost of goods sold	27,295	32,161	87,503	99,508
Gross profit	2,053	6,267	10,375	21,567
Engineering, selling and administrative expenses	7,175	6,109	19,796	17,740
Provision for bad debts	500	-	500	-
(Loss) Income from operations	(5,622)	158	(9,921)	3,827
Interest income	91	617	693	2,344
Other income, net	104	(58)	884	408
Minority interest	503	(48)	614	70
Income before provision for income taxes	(4,924)	669	(7,730)	6,649
(Benefit) Provision for income taxes	(2,092)	223	(3,703)	2,461
Net (Loss) income	\$ (2,832)	\$ 446	\$ (4,027)	\$ 4,188
(Loss) Earnings per share:				
Basic	\$ (0.87)	\$ 0.13	\$ (1.23)	\$ 1.20
Diluted	\$ (0.87)	\$ 0.13	\$ (1.22)	\$ 1.19
Average Shares Outstanding:				
Basic	3,261	3,476	3,285	3,500
Diluted	3,262	3,482	3,290	3,506
Cash dividends declared per share	-	\$ 0.15	\$ 0.30	\$ 1.45

The accompanying notes are an integral part of these condensed consolidated statements of income.

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share Amounts)

	March 29, 2009 (Unaudited)	June 29, 2008
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 22,598	\$ 51,501
Receivables, net	21,174	23,518
Inventories-		
Finished products	2,681	2,521
Work in process	3,824	4,379
Purchased materials	9,076	7,414
LIFO adjustment	(4,068)	(4,045)
Total inventories	11,513	10,269
Other current assets	18,870	17,978
<b>Total current assets</b>	<b>74,155</b>	<b>103,266</b>
Deferred income taxes	4,044	3,684
Investment in joint ventures	4,264	3,642
Prepaid pension obligations	3,407	758
Other intangible assets, net	889	27
Property, plant and equipment	129,408	119,445
Less: accumulated depreciation	(92,873)	(89,109)
<b>Net property, plant and equipment</b>	<b>36,535</b>	<b>30,336</b>
	\$ 123,294	\$ 141,713
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 10,694	\$ 15,974
<b>Accrued Liabilities:</b>		
Payroll and benefits	6,605	7,319
Environmental reserve	2,636	2,648
Other	8,476	6,998
<b>Total current liabilities</b>	<b>28,411</b>	<b>32,939</b>
Accrued pension obligations	2,833	2,606
Accrued postretirement obligations	9,484	9,783
Minority interest	1,316	953
<b>Shareholders' Equity:</b>		
Common stock, authorized 12,000,000 shares, \$.01 par value, issued 6,897,957 shares at March 29, 2009 and June 29, 2008	69	69
Capital in excess of par value	79,202	78,885
Retained earnings	158,872	163,889
Accumulated other comprehensive loss	( 20,790 )	( 17,495 )
Less: treasury stock, at cost (3,636,878 shares at March 29, 2009 and 3,444,548 shares at June 29, 2008)	( 136,103 )	( 129,916 )
<b>Total shareholders' equity</b>	<b>81,250</b>	<b>95,432</b>
	\$ 123,294	\$ 141,713

The accompanying notes are an integral part of these condensed consolidated balance sheets.

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STRATTEC SECURITY CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)  
(Unaudited)

	Nine Months Ended March 29, 2009	March 30, 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (loss) income	\$ (4,027)	\$ 4,188
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Minority interest	(600)	(111)
Depreciation and amortization	4,528	5,161
Foreign currency transaction gain	(1,233)	77
Stock based compensation expense	309	616
Provision for bad debts	500	-
Change in operating assets and liabilities:		
Receivables	968	6,013
Inventories	2,064	(2,878)
Other assets	(4,122)	(4,736)
Accounts payable and accrued liabilities	(7,106)	3
Other, net	(197)	(418)
Net cash (used in) provided by operating activities	(8,916)	7,915
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment in joint ventures	(388)	-
Acquisition of Delphi Power Products Business	(4,931)	-
Purchase of property, plant and equipment	(10,929)	(8,487)
Net cash used in investing activities	(16,248)	(8,487)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Purchase of treasury stock	(6,214)	(2,334)
Dividends paid	(1,511)	(4,609)
Exercise of stock options and employee stock purchases	30	21
Loan from minority interest	2,175	800
Contribution from minority interest	986	349
Net cash used in financing activities	(4,534)	(5,773)
Foreign currency impact on cash	795	(16)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(28,903)</b>	<b>(6,361)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of period	51,501	65,491
End of period	\$ 22,598	\$ 59,130



SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Income taxes (refunded) paid	\$	(1,619)	\$	2,814
Interest paid		-		-

The accompanying notes are an integral part of these condensed consolidated statements of cash flows.

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

Basis of Financial Statements

STRATTEC SECURITY CORPORATION designs, develops, manufactures and markets automotive Security Products including mechanical locks and keys, electronically enhanced locks and keys, steering column and instrument panel ignition lock housings, and Access Control Products including latches, power sliding door systems, power life gate systems, power deck lid systems and related products. These products are provided to customers in North America, and on a global basis through the VAST Alliance in which we participate with WITTE Automotive of Velbert, Germany and ADAC Automotive of Grand Rapids, Michigan. STRATTEC's history in the automotive business spans 100 years. The accompanying condensed consolidated financial statements reflect the consolidated results of STRATTEC SECURITY CORPORATION, its wholly owned Mexican subsidiaries, STRATTEC de Mexico and STRATTEC Componentes Automotrices, and its majority owned subsidiaries, ADAC-STRATTEC, LLC and STRATTEC POWER ACCESS LLC. STRATTEC SECURITY CORPORATION is located in Milwaukee, Wisconsin. STRATTEC de Mexico and STRATTEC Componentes Automotrices are located in Juarez, Mexico. ADAC-STRATTEC, LLC and STRATTEC POWER ACCESS LLC have operations in El Paso, Texas and Juarez, Mexico. Equity investments in China and Brazil relating to the VAST LLC for which we exercise significant influence but do not control and are not the primary beneficiary are accounted for using the equity method.

In the opinion of management, the accompanying condensed consolidated balance sheet as of June 29, 2008, which has been derived from our audited financial statements, and the related unaudited interim condensed consolidated financial statements contain all adjustments, consisting only of normal recurring items, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All significant intercompany transactions have been eliminated.

Interim financial results are not necessarily indicative of operating results for an entire year. The information included in this Form 10-Q should be read in conjunction with Management's Discussion and Analysis and the financial statements and notes thereto included in the STRATTEC SECURITY CORPORATION 2008 Annual Report, which was filed with the Securities and Exchange Commission as an exhibit to our Form 10-K on August 29, 2008. Certain reclassifications have been made to the fiscal 2008 interim financial statements to conform to the fiscal 2009 presentation.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations." SFAS No. 141(R) retains the underlying concepts of SFAS No. 141 in that all business combinations are required to be accounted for at fair value under the acquisition method of accounting, but SFAS No. 141(R) changed the method of applying the acquisition method in a number of aspects. SFAS No. 141(R) requires that (1) for all business combinations, the acquirer records all assets and liabilities of the acquired business, including goodwill, generally at their fair values; (2) certain contingent assets and liabilities acquired be recognized at their fair value on the acquisition date; (3) contingent consideration be recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value will be recognized in earnings when settled; (4) acquisition related transaction and restructuring costs be expensed rather than treated as part of the cost of the acquisition and included in the amount recorded for assets acquired; (5) in step acquisitions, previous equity interests in an acquiree held prior to obtaining control be remeasured to their acquisition date fair values, with any gain or loss recognized in earnings; and (6) when making adjustments to finalize initial accounting, companies revise any previously issued post-acquisition financial information in future financial statements to reflect any adjustments as if they had been recorded on the acquisition date. SFAS No. 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. SFAS No. 141(R) amends SFAS No. 109 such that the adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated

with acquisitions that closed prior to the effective date of this statement should also apply the provisions of SFAS No. 141(R). This standard will be applied to all future business combinations in accordance with the effective dates as early adoption is prohibited.

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment to ARB No. 51." SFAS No. 160 establishes accounting and reporting standards that require the ownership interest in subsidiaries held by parties other than the parent be clearly identified and presented in the consolidated balance sheets within equity, but separate from the parent's equity, the amount of consolidated net income attributable to the parent and the noncontrolling interest be clearly identified and presented on the face of the consolidated statements of income, and changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently. This statement is effective for fiscal years beginning after December 15, 2008 and will be effective for us beginning in fiscal 2010. We do not expect the new standard to have a material impact on our financial position or results of operations.

#### Purchase of Delphi Power Products Business

Effective November 30, 2008, STRATTEC SECURITY CORPORATION in combination with WITTE Automotive of Velbert, Germany, and Vehicle Access Systems Technology LLC (VAST), a joint venture between STRATTEC, WITTE and ADAC Automotive of Grand Rapids, Michigan, completed the acquisition of certain assets, primarily equipment and inventory, and assumption of certain employee liabilities of Delphi Corporation's global Power Products business for approximately \$7.3 million. For the purposes of owning and operating the North American portion of this acquired business, STRATTEC established a new subsidiary, STRATTEC POWER ACCESS LLC (SPA), which is 80 percent owned by STRATTEC and 20 percent owned by WITTE. The purchase price of the North American portion of the acquired business totaled approximately \$4.4 million, of which STRATTEC paid approximately \$3.5 million. WITTE acquired the European portion of the business for approximately \$2.4 million. Effective February 12, 2009, SPA acquired the Asian portion of the business for approximately \$500,000.

The acquisition of the North American and Asian portion of this business by SPA was not material to STRATTEC's consolidated financial statements. Amortizable intangible assets acquired totaled \$890,000 and are subject to amortization over a period of nine years. In addition, goodwill of approximately \$15,000 was preliminarily recorded as part of the transaction, and is included in other intangible assets, net in the Condensed Consolidated Balance Sheets. All goodwill resulting from the purchase is expected to be deductible for tax purposes. The purchase accounting will be completed by the end of fiscal 2009 when final costs are determined.

The operating results of SPA for the period December 1, 2008 through March 29, 2009 are consolidated with the financial results of STRATTEC and resulted in decreased net income to STRATTEC of approximately \$1.5 million during the nine month period ended March 29, 2009.

SPA designs, develops, tests, manufactures, markets and sells power systems to operate vehicle sliding side doors and rear compartment access points such as liftgates and trunk lids. In addition, the product line includes power cinching latches and cinching strikers used in these systems. Current customers for these products supplied from North America are Chrysler LLC, Hyundai Motor Company, General Motors and Ford.

#### Receivables

Receivables consist primarily of amounts due from Original Equipment Manufacturers in the automotive industry and locksmith distributors relating to our service and aftermarket business. Our evaluation of the collectibility of our trade accounts receivable involves judgment and estimates and includes a review of past due items, general economic conditions and the economic climate of the industry as a whole. We increased our allowance for uncollectible trade accounts receivable by \$500,000 as of March 29, 2009 in connection with Chrysler LLC's filing for Chapter 11 bankruptcy protection for certain of their U.S. legal entities on April 30, 2009. We have approximately \$2.7 million of pre-petition bankruptcy accounts receivable from Chrysler LLC, a portion of which we believe could be uncollectible. Prior to the Chapter 11 bankruptcy filing, we had been accepted into the United States Department of Treasury "Auto Supplier Support Program" relating to our open accounts receivable with Chrysler LLC and we are in the process of determining what trade receivables are eligible for payment under this Program. Based on information currently available, we believe the increase in our reserve is adequate to cover the potential loss exposure related to our trade accounts receivable from Chrysler LLC as of March 29, 2009. As further information becomes available, we may be

required to record an additional reserve in the fourth quarter of fiscal 2009 for any additional loss exposure.

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## Other Income, net

Net other income included in the Condensed Consolidated Statements of Income primarily includes foreign currency transaction gains and losses and Rabbi trust gains and losses. Foreign currency transaction gains are the result of foreign currency transactions entered into by our Mexican subsidiaries and foreign currency cash balances. The Rabbi trust funds our supplemental executive retirement plan. The investments held in the trust are considered trading securities. The impact of these items for the periods presented is as follows (thousands of dollars):

	Three Months Ended		Nine Months Ended	
	March 29, 2009	March 30, 2008	March 29, 2009	March 30, 2008
Foreign Currency Transaction Gain (Loss)	\$ 86	\$ (123)	\$ 1,233	\$ (77)
Rabbi Trust Gain (Loss)	\$ (65)	\$ (173)	\$ (595)	\$ (158)

## Income Taxes

The income tax benefit for the three and nine month periods ended March 29, 2009 is the result of the higher U.S. effective tax rate applied to pre-tax U.S. losses and a lower Mexican tax rate being applied to pre-tax income in Mexico. Our U.S. effective tax rate is approximately 37 percent. Our effective tax rate in Mexico is approximately 15 percent.

We did not have a significant change to the total amounts of unrecognized tax benefits during the nine months ended March 29, 2009. However, STRATTEC is currently subject to income tax examinations in our Wisconsin jurisdiction for fiscal years 2005, 2006, 2007 and 2008. The audit is currently in process and preliminary results are not yet available.

## (Loss) Earnings Per Share (EPS)

Basic (loss) earnings per share is computed on the basis of the weighted average number of shares of common stock outstanding during the period. Diluted (loss) earnings per share is computed on the basis of the weighted average number of shares of common stock plus the dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options and restricted stock awards.

A reconciliation of the components of the basic and diluted per-share computations follows (in thousands, except per share amounts):

	Three Months Ended			March 30, 2008		
	March 29, 2009	Weighted		March 30, 2008	Weighted	
	Net	Average	Per-Share	Net	Average	Per-Share
	Loss	Shares	Amount	Income	Shares	Amount
Basic (Loss) Earnings Per Share	\$ (2,832)	3,261	\$ (0.87)	\$ 446	3,476	\$ 0.13
Stock-Based Compensation		1			6	
Diluted (Loss) Earnings Per Share	\$ (2,832)	3,262	\$ (0.87)	\$ 446	3,482	\$ 0.13

## Nine Months Ended

	March 29, 2009			March 30, 2008		
	Net	Weighted	Per-Share	Net	Weighted	Per-Share
	Loss	Average	Amount	Income	Average	Amount
		Shares			Shares	

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Basic (Loss) Earnings Per Share	\$ (4,027)	3,285	\$ (1.23)	\$ 4,188	3,500	\$ 1.20
Stock-Based Compensation		5			6	
Diluted (Loss) Earnings Per Share	\$ (4,027)	3,290	\$ (1.22)	\$ 4,188	3,506	\$ 1.19

As of March 29, 2009, options to purchase 227,240 shares of common stock at a weighted-average exercise price of \$38.07 were excluded from the calculation of diluted loss per share because their inclusion would have been anti-dilutive. As of March 30, 2008, options to purchase 184,680 shares of common stock at a weighted-average exercise price of \$59.13 were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

## Comprehensive Income (Loss)

Comprehensive income (loss) is presented in the following table (in thousands):

	Three Months Ended		Nine Months Ended	
	March 29, 2009	March 30, 2008	March 29, 2009	March 30, 2008
Net (Loss) Income	\$ (2,832)	\$ 446	\$ (4,027)	\$ 4,188
Change in Cumulative Translation				
Adjustments, net	(617)	279	(3,295)	287
Total Comprehensive (Loss) Income	\$ (3,449)	\$ 725	\$ (7,322)	\$ 4,475

## Stock-based Compensation

We maintain an omnibus stock incentive plan. This plan provides for the granting of stock options, shares of restricted stock and stock appreciation rights. The Board of Directors has designated 1,700,000 shares of common stock available for the grant of awards under the plan. Remaining shares available to be granted under the plan as of March 29, 2009 were 332,003. Awards that expire or are canceled without delivery of shares become available for re-issuance under the plan. We issue new shares of common stock to satisfy stock option exercises.

Nonqualified and incentive stock options and shares of restricted stock have been granted to our officers and specified employees under our stock incentive plan. Stock options granted under the plan may not be issued with an exercise price less than the fair market value of the common stock on the date the option is granted. Stock options become exercisable as determined at the date of grant by the Compensation Committee of the Board of Directors. The options expire 5 to 10 years after the grant date unless an earlier expiration date is set at the time of grant. The options vest 1 to 4 years after the date of grant. Shares of restricted stock granted under the plan are subject to vesting criteria determined by the Compensation Committee of the Board of Directors at the time the shares are granted and have a minimum vesting period of three years from the date of grant. Restricted shares granted have voting and dividend rights. The restricted stock grants issued to date vest 3 years after the date of grant.

The fair value of each stock option grant was estimated as of the date of grant using the Black-Scholes pricing model. The resulting compensation cost for fixed awards with graded vesting schedules is amortized on a straight line basis over the vesting period for the entire award. The fair value of each restricted stock grant was based on the market price of the underlying common stock as of the date of grant. The resulting compensation cost is amortized on a straight line basis over the vesting period.

A summary of stock option activity under the plan for the nine months ended March 30, 2009 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding, June 29, 2008	187,780	\$ 58.74		
Granted	96,800	\$ 11.80		
Exercised	-	-		
Expired	(52,340)	\$ 61.68		
Forfeited	(5,000)	\$ 58.55		
Outstanding, March 29, 2009	227,240	\$ 38.07	6.4	\$ -
Exercisable, March 29, 2009	130,440	\$ 57.57	3.8	\$ -



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The intrinsic value of stock options exercised and the fair value of stock options vesting during the three and nine month periods presented is as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	March 29, 2009	March 30, 2008	March 29, 2009	March 30, 2008
Intrinsic Value of Options Exercised	\$ -	\$ -	\$ -	\$ -
Fair Value of Stock Options Vesting	\$ -	\$ 76	\$ 469	\$ 273

A summary of restricted stock activity under the plan for the nine months ended March 30, 2009 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested Balance, June 29, 2008	29,400	\$ 46.32
Granted	10,000	\$ 29.00
Vested	(10,200)	\$ 50.80
Forfeited	(1,000)	\$ 46.22
Nonvested Balance, March 29, 2009	28,200	\$ 38.64

As of March 29, 2009, there was \$339,600 of total unrecognized compensation cost related to stock options granted under the plan. This cost is expected to be recognized over a weighted average period of 1.9 years. As of March 29, 2009, there was \$465,000 of total unrecognized compensation cost related to restricted stock grants under the plan. This cost is expected to be recognized over a weighted average period of 11 months. Total unrecognized compensation cost will be adjusted for any future changes in estimated and actual forfeitures of awards granted under the plan.

#### Pension and Other Postretirement Benefits

We have a noncontributory defined benefit pension plan covering substantially all U.S. associates. Benefits are based on years of service and final average compensation. Our policy is to fund at least the minimum actuarially computed annual contribution required under the Employee Retirement Income Security Act of 1974 (ERISA). Plan assets consist primarily of listed equity and fixed income securities. We have a noncontributory supplemental executive retirement plan (SERP), which is a nonqualified defined benefit plan. The SERP will pay supplemental pension benefits to certain key employees upon retirement based upon the employees' years of service and compensation. The SERP is being funded through a Rabbi trust with M&I Trust Company. We also sponsor a postretirement health care plan for all of our U.S. associates hired prior to June 2, 2001. The expected cost of retiree health care benefits is recognized during the years that the associates who are covered under the plan render service. The postretirement health care plan is unfunded.

The following tables summarize the net periodic benefit cost recognized for each of the periods indicated under these two plans (in thousands):

	Pension Benefits		Postretirement Benefits	
	Three Months Ended March 29, 2009	Three Months Ended March 30, 2008	Three Months Ended March 29, 2009	Three Months Ended March 30, 2008
<b>COMPONENTS OF NET PERIODIC BENEFIT COST:</b>				
Service cost	\$ 500	\$ 505	\$ 48	\$ 55
Interest cost	1,270	1,170	183	179
Expected return on plan assets	(1,640)	(1,553)	-	-
Amortization of prior service cost	19	16	(97)	(94)
Amortization of unrecognized net loss	64	161	174	176
Net periodic benefit cost	\$ 213	\$ 299	\$ 308	\$ 316

	Pension Benefits		Postretirement Benefits	
	Nine Months Ended		Nine Months Ended	
	March 29, 2009	March 30, 2008	March 29, 2009	March 30, 2008
<b>COMPONENTS OF NET PERIODIC BENEFIT COST:</b>				
Service cost	\$ 1,436	\$ 1,514	\$ 143	\$ 165
Interest cost	3,812	3,510	552	538
Expected return on plan assets	(4,921)	(4,658)	-	-
Amortization of prior service cost	59	48	(291)	(283)
Amortization of unrecognized net loss	191	482	522	527
Net periodic benefit cost	\$ 577	\$ 896	\$ 926	\$ 947

Voluntary contributions made to the qualified pension plan totaled \$3.0 million during both of the nine month periods ending March 29, 2009 and March 30, 2008, respectively. No additional contributions are anticipated to be made during the remainder of fiscal 2009.

Item 2

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis should be read in conjunction with STRATTEC SECURITY CORPORATION's accompanying Condensed Consolidated Financial Statements and Notes thereto and its 2008 Annual Report which was filed with the Securities and Exchange Commission as an exhibit to our Form 10-K on August 29, 2008. Unless otherwise indicated, all references to years refer to fiscal years.

Purchase of Delphi Power Products Business

Effective November 30, 2008, STRATTEC SECURITY CORPORATION in combination with WITTE Automotive of Velbert, Germany, and Vehicle Access Systems Technology LLC (VAST), a joint venture between STRATTEC, WITTE and ADAC Automotive of Grand Rapids, Michigan, completed the acquisition of certain assets, primarily equipment and inventory, and assumption of certain employee liabilities of Delphi Corporation's global Power Products business for approximately \$7.3 million. For the purposes of owning and operating the North American portion of this acquired business, STRATTEC established a new subsidiary, STRATTEC POWER ACCESS LLC (SPA), which is 80 percent owned by STRATTEC and 20 percent owned by WITTE. The purchase price of the North American portion of the acquired business totaled approximately \$4.4 million, of which STRATTEC paid approximately \$3.5 million. WITTE acquired the European portion of the business for approximately \$2.4 million. Effective February 12, 2009, SPA acquired the Asian portion of the business for approximately \$500,000.

The acquisition of the North American and Asian portion of this business by SPA was not material to STRATTEC's consolidated financial statements. Amortizable intangible assets acquired totaled \$890,000 and are subject to amortization over a period of nine years. In addition, goodwill of approximately \$15,000 was preliminarily recorded as part of the transaction, and is included in other intangible assets, net in the Condensed Consolidated Balance Sheets. All goodwill resulting from the purchase is expected to be deductible for tax purposes. The purchase accounting will be completed by the end of fiscal 2009 when final costs are determined.

The operating results of SPA for the period December 1, 2008 through March 29, 2009 are consolidated with the financial results of STRATTEC and resulted in decreased net income to STRATTEC of approximately \$1.5 million during the nine month period ended March 29, 2009.

SPA designs, develops, tests, manufactures, markets and sells power systems to operate vehicle sliding side doors and rear compartment access points such as liftgates and trunk lids. In addition, the product line includes power cinching latches and cinching strikers used in these systems. Current customers for these products supplied from North America are Chrysler LLC, Hyundai Motor Company, General Motors and Ford.

Analysis of Results of Operations

Our financial results for the three and nine months ended March 29, 2009 reflect the overall weakness in the U.S. economy, and in particular the sharp decline in vehicle sales and production during the period. We are reacting to the unprecedented decline in the North American auto industry in several ways. During our second and third fiscal quarters, we reduced our productive work force at both our Milwaukee, Wisconsin and Juarez, Mexico facilities through a combination of temporary and permanent layoffs. We will continue to adjust our productive workforce in this way until the business improves or stabilizes at a predictable level. Since the beginning of our current fiscal year, we have not been replacing salaried associates who retired or left through normal attrition, saving nearly \$1 million on an annualized basis. On January 15, 2009, we reduced the U.S. salaried workforce by approximately 10

percent. Effective January 1, 2009, we also froze executive officer salaries at their calendar year 2008 levels, and reduced our 401K match for salaried associates. We expect these changes will save approximately \$2 million on an annual basis, but will be offset during our third fiscal quarter with a charge to earnings of \$350,000 for severance and outplacement costs. Other cost reduction activities aimed at reducing general overhead costs are in place.

In addition, with the November 2008 completion of our new manufacturing facility in Juarez, Mexico we vacated two leased facilities, one in Juarez and one in Matamoros, Mexico. During the current year, we incurred approximately \$206,000 of relocation costs to vacate the leased facility in Juarez. The moves from the leased facilities to the new facility were completed during our third fiscal quarter. We anticipate annual savings of approximately \$500,000 related to vacating the leased facility. We were not contractually obligated to pay to terminate the leases related to these two leased facilities in Mexico. The contractual lease term for the facility in Matamoros, Mexico expires in July, 2009. The building was occupied through February 2009. The lease related to this facility was assumed as part of the purchase of Delphi Power Products effective as of November 30, 2008. We will continue to make lease payments for Matamoros through the end of the lease term, which expires on July 31, 2009. The lease payments made during the period the building was occupied were recorded as rent expense. A purchase accounting reserve was established as of the purchase date in accordance with our plan to move the operations from the Matamoros facility to an owned facility in Juarez, Mexico. The lease payments made from March 2009 through July 2009 will be charged against this reserve. The contractual lease term for the facility in Juarez, Mexico expired on February 2, 2009. This building was occupied through the end of January 2009. Lease payments were made and recorded as rent expense through the end of the lease term.

On April 23, 2009, General Motors Corporation announced assembly plant downtime for the months of May through July in order to reduce excess inventories at their dealer locations. Most of the approximately 190,000 vehicles removed from General Motors' production schedules are those that we supply. On April 27, 2009, General Motors announced certain aspects of its Revised Viability Plan including reduced production volumes for calendar year 2009 and the subsequent five years. We will be evaluating the impact this Plan will have on our business as more details become available. On April 30, 2009, Chrysler LLC announced assembly plant downtime for the months of May and June 2009 as part of their reorganization under Chapter 11 bankruptcy.

As a result of these announced reductions in production by General Motors and Chrysler LLC, we are also reducing our production schedules and cost structure. These reductions will affect both our sales and profitability for the fourth fiscal quarter ending June 28, 2009.

A large volume ignition lock housing program originally planned for our VAST Fuzhou joint venture plant in China will soon be sourced from our North American operations, providing additional sales and increased production of this product line at both our Milwaukee and Juarez facilities. Production for this program should begin late in the current fiscal year, and if current forecasts are correct, it should enhance sales by more than \$12 million in the aggregate over the next two years.

Three months ended March 29, 2009 compared to the three months ended March 30, 2008

Net sales for the three months ended March 29, 2009 were \$29.3 million compared to net sales of \$38.4 million for the three months ended March 30, 2008. Sales to our largest customers overall were significantly lower in the current quarter compared to the prior year quarter. Sales to General Motors Corporation in the current quarter were \$6.6 million compared to \$10.1 million in the prior year quarter due to lower vehicle production volumes, partially offset by the takeover of certain passenger car lockset production from another supplier. The prior year quarter sales to General Motors were impacted by production reductions as a direct result of a strike called by the UAW against a major General Motors supplier reducing our sales by approximately \$1.2 million. Sales to Chrysler LLC were \$11.1 million in the current quarter compared to \$9.7 million in the prior year quarter. The increased Chrysler sales were due to \$5.2 million of sales generated by SPA relating primarily to the products supplied on Dodge, Chrysler and Volkswagen minivans, offset by a combination of lower vehicle production volume and reduced component content in the lock products we supply. Sales to Ford Motor Company were \$3.6 million in the current quarter compared to \$5.0 million in the prior year quarter, and sales to Delphi Corporation were \$1.2 million in the current quarter compared to \$3.8 million in the prior year quarter. The lower sales to Ford and Delphi were due to lower vehicle production volumes. Sales during the current quarter were weaker than initially anticipated for the above four customers due to

their additional production schedule cut backs during the months following the Christmas holiday shutdown.

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Gross profit as a percentage of net sales was 7.0 percent in the current quarter compared to 16.3 percent in the prior year quarter. The decrease in the gross profit margin was primarily attributed to reduced customer production volumes, partially offset by lower purchased material costs for zinc and brass along with a favorable Mexico Peso to U.S. dollar exchange rate affecting our operations in Mexico. The current quarter also included approximately \$73,000 of relocation costs related to the move from our leased facility in Juarez, Mexico to our new manufacturing facility in Juarez, a non-recurring inventory adjustment of \$38,000 and severance costs of \$154,000 relating to a work force reduction in Mexico in January 2009. Construction of our new facility in Mexico was completed in November 2008, and the move from our leased facility in Juarez to our new facility was completed in February 2009. The non-recurring inventory adjustment related to finished goods inventory acquired in the Delphi Power Products business acquisition. The value of the finished goods inventory acquired was adjusted to its selling price less costs to sell, and gross profit was impacted by the inventory that was sold during the quarter. The impact of the reduced customer production volumes was partially offset by lower purchased material costs for zinc and brass along with a favorable Mexico peso to U.S. dollar exchange rate affecting the U.S. dollar cost of our operations in Mexico.

The average zinc price paid per pound decreased to \$1.20 in the current quarter from \$1.49 in the prior year quarter. During the current quarter, we used approximately 1.0 million pounds of zinc. This resulted in decreased zinc costs of approximately \$300,000 in the current quarter compared to the prior year quarter. The average brass price paid per pound decreased to \$2.63 in the current quarter from \$3.81 in the prior year quarter. During the current quarter, we used approximately 165,000 pounds of brass. This resulted in decreased brass costs of approximately \$190,000 in the current quarter compared to the prior year quarter. Given the significant financial impact on us relating to changes in the cost of zinc and brass, our primary raw materials, commencing with fiscal 2008, we began quoting quarterly material price adjustments for changes in our raw material costs in our negotiations with our customers. Our success in obtaining these quarterly price adjustments in our customer contracts is dependant on separate negotiations with each of our customers. It is not a standard practice for our customers to include such price adjustments in their contracts. We have been successful in obtaining quarterly price adjustments in some of our customer contracts. However, we have not been successful in obtaining the adjustments with all of our customers.

The inflation rate in Mexico for the twelve months ended March 29, 2009 was approximately 6.0 percent and increased our operating costs by approximately \$200,000 in the current quarter over the prior year quarter. The average U.S. dollar/Mexican peso exchange rate increased to approximately 14.45 pesos to the dollar in the current quarter from approximately 10.75 pesos to the dollar in the prior year quarter. This resulted in decreased costs related to our Mexican operations of approximately \$1.2 million in the current quarter over the prior year quarter.

Engineering, selling and administrative expenses were \$7.2 million in the current quarter, compared to \$6.1 million in the prior year quarter. The increased spending was primarily attributed to hiring SPA engineering personnel and contracting with Delphi for temporary transition services related to the acquisition. The temporary transition services and related expenses totaled \$309,000 in the current quarter. Also, included in the current quarter is a charge of \$350,000 for severance and outplacement costs relating to a U.S. salaried work force reduction on January 15, 2009. We expect that the salaried work force reduction, along with reductions in our 401K match, will save us approximately \$2.0 million annually.

The provision for bad debts of \$500,000 in the current quarter was recorded in connection with Chrysler LLC's filing for Chapter 11 bankruptcy protection for certain of their U.S. legal entities on April 30, 2009. We have approximately \$2.7 million of pre-petition bankruptcy accounts receivable from Chrysler LLC, a portion of which we believe could be uncollectible. Prior to the Chapter 11 bankruptcy filing, we had been accepted into the United States Department of Treasury "Auto Supplier Support Program" relating to our open accounts receivable with Chrysler LLC and we are in the process of determining what trade receivables are eligible for payment under this Program. Based on information currently available, we believe the increase in our reserve is adequate to cover the potential loss exposure related to our trade accounts receivable from Chrysler LLC as of March 29, 2009. As further information becomes available, we may be required to record an additional reserve in the fourth quarter of fiscal 2009 for any additional loss



exposure.

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The loss from operations in the current quarter was \$5.6 million compared to income from operations of \$158,000 in the prior year quarter. This reduction was the result of the decrease in sales and gross profit margin, the increase in operating expenses and the provision for bad debts as discussed above.

Net other income was \$104,000 in the current quarter compared to net other expense of \$58,000 in the prior year quarter. The increase was primarily due to favorable transaction gains resulting from foreign currency transactions entered into by our Mexican subsidiaries in the current quarter compared to transactions losses in the prior year quarter and reduced losses on the Rabbi trust in the current quarter compared to the prior year quarter. The Rabbi trust funds our supplemental executive retirement plan. Transaction gains were \$86,000 in the current quarter compared to losses of \$123,000 in the prior year quarter. Losses related to the Rabbi trust totaled \$65,000 in the current quarter compared to \$173,000 in the prior year quarter. The investments held in the trust are considered trading securities.

Our U.S. effective tax rate was approximately 37 percent. Our effective tax rate in Mexico was approximately 15 percent. The current quarter income tax benefit was the result of the higher U.S. effective tax rate applied to pre-tax U.S. losses and a lower Mexican tax rate being applied to pre-tax income in Mexico. The overall U.S. effective tax rate differed from the Federal statutory tax rate primarily due to the effects of state income taxes.

Nine months ended March 29, 2009 compared to the nine months ended March 30, 2008

Net sales for the nine months ended March 29, 2009 were \$97.9 million compared to net sales of \$121.1 million for the nine months ended March 30, 2008. Sales to our largest customers overall were significantly lower in the current period compared to the prior year period. Sales to General Motors Corporation in the current period were \$30.8 million compared to \$34.4 million in the prior year period due to lower vehicle production volumes, partially offset by the takeover of certain passenger car lockset production from another supplier. The prior year period sales to General Motors were impacted by production reductions during the prior year third quarter as a direct result of a strike called by the UAW against a major General Motors supplier reducing sales by approximately \$1.2 million. Sales to Chrysler LLC were \$26.1 million in the current period compared to \$30.3 million in the prior year period. This sales reduction was due to a combination of lower vehicle production volume and reduced component content in the lock products we supply, offset by \$6.5 million of sales generated by SPA relating primarily to the products supplied on the Dodge, Chrysler and Volkswagen minivans. Sales to Ford Motor Company were \$8.8 million in the current period compared to \$14.9 million in the prior year period and sales to Delphi Corporation were \$5.2 million in the current period compared to \$11.6 million in the prior year period. The lower sales to Ford and Delphi were primarily due to lower vehicle production volumes. Sales during the current period were weaker than initially anticipated for the above four customers due to their additional production cut backs announced after the Thanksgiving holiday and their additional production schedule cut backs during the months following the Christmas holiday shutdown.

Gross profit as a percentage of net sales was 10.6 percent in the current period compared to 17.8 percent in the prior year period. The decrease in the gross profit margin was primarily attributed to reduced customer production volumes, partially offset by lower purchased material costs for zinc and brass along with a favorable Mexico Peso to U.S. dollar exchange rate affecting our operations in Mexico. The current period also included approximately \$205,000 of relocation costs related to the move from our leased facility in Juarez, Mexico to our new manufacturing facility in Juarez, a non-recurring inventory adjustment of \$152,000 and severance costs of \$154,000 relating to a work force reduction in Mexico in January 2009. Construction of the new facility was completed in November 2008, and the move from our leased facility in Juarez to our new facility was completed in February 2009. The non-recurring inventory adjustment related to finished goods inventory acquired in the Delphi Power Products business acquisition. The value of the finished goods inventory acquired was adjusted to its selling price less costs to sell, and gross profit was impacted by the inventory that was sold during the period. The impact of the reduced customer production volumes was partially offset by lower purchased material costs for zinc and brass. The impact of the reduced customer production volumes was partially offset by lower purchased material costs for zinc and brass along with a favorable Mexico peso to U.S. dollar exchange rate affecting the U.S. dollar cost of our operations in

Mexico.

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The average zinc price paid per pound decreased to \$1.21 in the current period from \$1.56 in the prior year period. During the current period, we used approximately 4.2 million pounds of zinc. This resulted in decreased zinc costs of approximately \$1.4 million in the current period compared to the prior year period. The average brass price paid per pound decreased to \$3.15 in the current period from \$3.81 in the prior year period. During the current period, we used approximately 660,000 pounds of brass. This resulted in decreased brass costs of approximately \$435,000 in the current period compared to the prior year period. As noted above, commencing with fiscal 2008, we began quoting quarterly material price adjustments for changes in our raw material costs in our negotiations with our customers. Our success in obtaining these quarterly price adjustments in our customer contracts is dependant on our separate negotiations with each of our customers. It is not a standard practice for our customers to include such price adjustments in their contracts. We have been successful in obtaining quarterly price adjustments in some of our customer contracts. However, we have not been successful in obtaining the adjustments with all of our customers.

The inflation rate in Mexico for the twelve months ended March 29, 2009 was approximately 6.0 percent and increased our operating costs by approximately \$750,000 in the current period over the prior year period. The average U.S. dollar/Mexican peso exchange rate increased to approximately 12.50 pesos to the dollar in the current period from approximately 10.85 pesos to the dollar in the prior year period. This resulted in decreased costs related to our Mexican operations of approximately \$2.4 million in the current period over the prior year period.

Engineering, selling and administrative expenses were \$19.8 million in the current period, compared to \$17.7 million in the prior year period. The increase was primarily attributed to hiring SPA engineering personnel, contracting with Delphi for temporary transition services related to the acquisition, outside legal costs incurred to defend a STRATTEC patent and a charge of \$350,000 for severance and outplacement costs relating to a U.S. salaried work force reduction on January 15, 2009. We expect that the salaried work force reduction, along with reductions in our 401K match, will save us approximately \$2.0 million annually.

The provision for bad debts of \$500,000 in the current year period was recorded in connection with Chrysler LLC's filing for Chapter 11 bankruptcy protection for certain of their U.S. legal entities on April 30, 2009. We have approximately \$2.7 million of pre-petition bankruptcy accounts receivable from Chrysler LLC, a portion of which we believe could be uncollectible. Prior to the Chapter 11 bankruptcy filing, we had been accepted into the United States Department of Treasury "Auto Supplier Support Program" relating to our open accounts receivable with Chrysler LLC and we are in the process of determining what trade receivables are eligible for payment under this Program. Based on information currently available, we believe the increase in our reserve is adequate to cover the potential loss exposure related to our trade accounts receivable from Chrysler LLC as of March 29, 2009. As further information becomes available, we may be required to record an additional reserve in the fourth quarter of fiscal 2009 for any additional loss exposure.

The loss from operations in the current period was \$9.9 million compared to income from operations of \$3.8 million in the prior year period. This reduction was the result of the decrease in sales and gross profit margin, the increase in operating expenses and the provision for bad debts as discussed above.

Net other income was \$884,000 in the current period compared to \$408,000 in the prior year period. The increase was primarily due to favorable transaction gains resulting from foreign currency transactions entered into by our Mexican subsidiaries in the current period compared to transactions losses in the prior year period offset by increased losses on the Rabbi trust, which funds our supplemental executive retirement plan. Transactions gains were \$1.2 million in the current period compared to losses of \$77,000 in the prior year period. Losses related to the Rabbi trust totaled \$595,000 in the current period compared to \$158,000 in the prior year period. The investments held in the trust are considered trading securities.

Our U.S. effective tax rate was approximately 37 percent. Our effective tax rate in Mexico was approximately 15 percent. The current period income tax benefit was the result of the higher U.S. effective tax rate applied to pre-tax

U.S. losses and a lower Mexican tax rate being applied to pre-tax income in Mexico. The overall U.S. effective tax rate differed from the Federal statutory tax rate primarily due to the effects of state income taxes.

### Liquidity and Capital Resources

Our primary source of cash flow is from our major customers, which include General Motors Corporation, Ford Motor Company, Chrysler LLC and Delphi Corporation. As of the date of filing this Form 10-Q with the Securities and Exchange Commission, all of our customers are making payments on their outstanding accounts receivable in accordance with the payment terms included on their purchase orders. A summary of our outstanding receivable balances from our major customers as of March 29, 2009 is as follows (in thousands of dollars):

	U.S.	Canada	Mexico	Total
General Motors	\$ 5,470	\$ -	\$ 491	\$ 5,961
Ford	1,774	-	-	1,774
Chrysler	3,313	4,435	876	8,624
Delphi	203	-	-	203

On April 30, 2009, Chrysler LLC filed for Chapter 11 bankruptcy protection for certain of their U.S. legal entities. Prior to the Chapter 11 bankruptcy filing, we had been accepted into the United States Department of Treasury "Auto Supplier Support Program" relating to our open accounts receivable with Chrysler LLC. As of April 30, 2009, we have approximately \$2.7 million of pre-petition bankruptcy accounts receivable from Chrysler LLC. Based on the information currently available, we believe the majority of this \$2.7 million balance will be paid under the Auto Supplier Support Program. During the quarter ended March 29, 2009, we increased our provision for bad debts by \$500,000 to cover the portion of this balance which we believe could be uncollectible. As further information becomes available, we may be required to record an additional reserve in the fourth quarter of fiscal 2009 for any additional loss exposure.

On April 27, 2009, General Motors announced certain aspects of its Revised Viability Plan describing certain structural changes which will occur over the next five years. If this Plan is not accepted by the U.S. Government by May 31, 2009, General Motors may also be required to reorganize under a Chapter 11 bankruptcy proceeding similar to the one initiated by Chrysler LLC. We are in the process of applying for acceptance into the United States Department of Treasury "Auto Supplier Support Program" relating to our open accounts receivable with General Motors. As of the date of this 10-Q filing, we have not been formally accepted into this program.

As discussed under Analysis of Results of Operations, in April 2009, both General Motors and Chrysler LLC announced assembly plant downtime for the months of May through July. These announced reductions in production will negatively impact our cash flow from operations during the first quarter of fiscal 2010. However, we believe that our existing cash balances along with our Line of Credit, which is discussed below, is adequate to meet our anticipated capital expenditure, working capital and operating expenditure requirements.

Cash flow used in operating activities was \$8.9 million during the nine months ended March 29, 2009 compared to \$7.9 million of cash generated from operations during the nine months ended March 30, 2008. Current period operating cash flow was negatively impacted by overall financial results and the initial funding of working capital related to the SPA operations. Pension contributions to our qualified plan totaled \$3 million during both the current year and prior year periods.

Capital expenditures during the nine months ended March 29, 2009, were \$10.9 million, which included approximately \$5.7 million for the construction of a new facility in Juarez, Mexico to replace our existing leased facility. Capital expenditures during the nine months ended March 30, 2008, were \$8.5 million. We anticipate that capital expenditures will be approximately \$12 million to \$13 million in fiscal 2009, primarily relating to expenditures in support of requirements for new product programs, the upgrade and replacement of existing equipment and the construction of our new facility in Juarez, Mexico.

Our Board of Directors has authorized a stock repurchase program to buy back outstanding shares of our common stock. Shares authorized for buy back under the program totaled 3,839,395 at March 29, 2009. A total of 3,655,322 shares have been repurchased as of March 29, 2009, at a cost of approximately \$136.4 million. No shares were repurchased during the three months ended March 29, 2009. During the nine months ended March 29, 2009, 193,989 shares were repurchased at a cost of approximately \$6.2 million. Additional repurchases may occur from time to time and are expected to continue to be funded by cash flow from operations and current cash balances.

We have a \$50.0 million unsecured line of credit (the “Line of Credit”) with M&I Marshall & Ilsley Bank, which expires October 31, 2009. There were no outstanding borrowings under the Line of Credit at March 29, 2009 or March 30, 2008. Interest on borrowings under the Line of Credit is at varying rates based on the London Interbank Offering Rate or the bank’s prime rate. We believe that the Line of Credit is adequate, along with existing cash balances and cash flow from operations, to meet our anticipated capital expenditure, working capital and operating expenditure requirements. The line of credit is not subject to any covenants.

Over the past two years, we have been impacted by rising health care costs, which have increased our cost of employee medical coverage. We have also been impacted by fluctuations in the market price of zinc, brass and magnesium and inflation in Mexico, which impacts the U.S. dollar costs of our Mexican operations. We do not hedge against our Mexican peso exposure.

#### Joint Ventures

We participate in certain Alliance Agreements with WITTE Automotive (“WITTE”) and ADAC Automotive (“ADAC”). WITTE, of Velbert, Germany, is a privately held automotive supplier. WITTE designs, manufactures and markets components including locks and keys, hood latches, rear compartment latches, seat back latches, door handles and specialty fasteners. WITTE’s primary market for these products has been Europe. ADAC, of Grand Rapids, Michigan, is a privately held automotive supplier and manufactures engineered products, including door handles and other automotive trim parts, utilizing plastic injection molding, automated painting and various assembly processes.

The Alliance provides a set of cross-licensing agreements for the manufacture, distribution and sale of WITTE products by STRATTEC and ADAC in North America, and the manufacture, distribution and sale of STRATTEC and ADAC products by WITTE in Europe. Additionally, a joint venture company, Vehicle Access Systems Technology LLC (“VAST LLC”), in which WITTE, STRATTEC and ADAC each hold a one-third interest, exists to seek opportunities to manufacture and sell the companies’ products in areas of the world outside of North America and Europe.

VAST LLC participates in joint ventures in Brazil and China. VAST do Brasil, a joint venture between VAST LLC and Ifer do Brasil Ltda., was formed to service customers in South America. VAST Fuzhou and VAST Great Shanghai, joint ventures between VAST LLC, Fortitude Corporation and a unit of Elitech Technology Co. Ltd. of Taiwan, are the base of operations to service our automotive customers in the Asian market. VAST LLC also maintains branch offices in South Korea and Japan in support of customer sales and engineering requirements.

The VAST investments are accounted for using the equity method of accounting. The activities related to the VAST joint ventures resulted in a gain to STRATTEC of approximately \$203,000 during the nine months ended March 29, 2009 and \$450,000 during the nine months ended March 30, 2008. During the current period, the VAST partners made capital contributions to VAST totaling approximately \$1.2 million in support of general operating expenses. STRATTEC’s portion of the capital contributions totaled \$388,000.

In fiscal year 2007, we entered into a joint venture with ADAC, in which STRATTEC holds a 50.1 percent interest and ADAC holds a 49.9 percent interest. The joint venture was created to establish injection molding and door handle assembly operations in Mexico. ADAC-STRATTEC LLC, a Delaware limited liability company, was formed on October 27, 2006. An additional Mexican entity, ADAC-STRATTEC de Mexico, which is wholly owned by ADAC-STRATTEC LLC, was formed on February 21, 2007. ADAC-STRATTEC de Mexico production activities began in July 2007. ADAC-STRATTEC LLC’s financial results are consolidated with the financial results of STRATTEC and resulted in no change in net income to STRATTEC during the nine months ended March 29, 2009 and decreased net income to STRATTEC of \$112,000 during the nine months ended March 30, 2008.



As noted above, effective November 30, 2008, STRATTEC and WITTE established a new entity, STRATTEC POWER ACCESS LLC, which is 80 percent owned by STRATTEC and 20 percent owned by WITTE. STRATTEC POWER ACCESS LLC operates the North American portion of the Power Products business which was acquired from Delphi Corporation.

## Recently Issued Accounting Standards

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements – an amendment to ARB No. 51.” SFAS No. 160 establishes accounting and reporting standards that require the ownership interest in subsidiaries held by parties other than the parent be clearly identified and presented in the consolidated balance sheets within equity, but separate from the parent’s equity, the amount of consolidated net income attributable to the parent and the noncontrolling interest be clearly identified and presented on the face of the consolidated statements of income, and changes in a parent’s ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently. This statement is effective for fiscal years beginning after December 15, 2008 and will be effective for us beginning in fiscal 2010. We do not expect the new standard to have a material impact on our financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141(R), “Business Combinations.” SFAS No. 141(R) retains the underlying concepts of SFAS No. 141 in that all business combinations are required to be accounted for at fair value under the acquisition method of accounting, but SFAS No. 141(R) changed the method of applying the acquisition method in a number of aspects. SFAS No. 141(R) requires that (1) for all business combinations, the acquirer records all assets and liabilities of the acquired business, including goodwill, generally at their fair values; (2) certain contingent assets and liabilities acquired be recognized at their fair value on the acquisition date; (3) contingent consideration be recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value will be recognized in earnings when settled; (4) acquisition related transaction and restructuring costs be expensed rather than treated as part of the cost of the acquisition and included in the amount recorded for assets acquired; (5) in step acquisitions, previous equity interests in an acquiree held prior to obtaining control be remeasured to their acquisition date fair values, with any gain or loss recognized in earnings; and (6) when making adjustments to finalize initial accounting, companies revise any previously issued post-acquisition financial information in future financial statements to reflect any adjustments as if they had been recorded on the acquisition date. SFAS No. 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. SFAS No. 141(R) amends SFAS No. 109 such that the adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of this statement should also apply the provisions of SFAS No. 141(R). This standard will be applied to all future business combinations in accordance with the effective dates as early adoption is prohibited.

## Critical Accounting Policies

The Company believes the following represents its critical accounting policies:

**Pension and Postretirement Health Benefits**– Pension and postretirement health obligations and costs are developed from actuarial valuations. The determination of the obligation and expense for pension and postretirement health benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in the Notes to Financial Statements in our 2008 Annual Report and include, among others, the discount rate, expected long-term rate of return on plan assets, retirement age and rates of increase in compensation and health care costs. Actual results that differ from these assumptions are deferred and, under certain circumstances, amortized over future periods. While we believe that the assumptions used are appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect our pension and postretirement health obligations and future expense.

**Other Reserves**– We have reserves such as an environmental reserve, an incurred but not reported claim reserve for self-insured health plans, a workers’ compensation reserve, an allowance for doubtful accounts related to trade accounts receivable and a repair and maintenance supply parts reserve. These reserves require the use of estimates and judgment with regard to risk exposure, ultimate liability and net realizable value.



**Environmental Reserve** – We have a liability recorded related to the estimated costs to remediate a site at our Milwaukee facility, which was contaminated by a solvent spill from a former above ground solvent storage tank occurring in 1985. The recorded environmental liability balance involves judgment and estimates. Our reserve estimate is based on a third party assessment of the costs to adequately cover the cost of active remediation of the contamination at this site. Actual costs might vary from this estimate for a variety of reasons including changes in laws and changes in the assessment of the level of remediation actually required at this site. Therefore, future changes in laws or the assessment of the level of remediation required could result in changes in our estimate of the required liability. Refer to the discussion of Commitments and Contingencies included in the Notes to Financial Statements on page 28 of our 2008 Annual Report filed with the Securities and Exchange Commission as an exhibit to our Form 10-K on August 29, 2008.

**Incurred But Not Reported Claim Reserve for Self-Insured Health plans and Workers' Compensation Reserve** – We have self-insured medical and dental plans covering all eligible U.S. associates. We also maintain an insured workers' compensation program covering all U.S. associates. The insurance is renewed annually and may be covered under a loss sensitive plan. Under a loss sensitive plan, the ultimate cost is dependent upon losses incurred during the policy period. The incurred loss amount for loss sensitive policies will continue to change as claims develop and are settled in future periods. The expected ultimate cost of claims incurred under these plans is subject to judgment and estimation. We estimate the ultimate expected cost of claims incurred under these plans based upon the aggregate liability for reported claims and an estimated additional liability for claims incurred but not reported. Our estimate of claims incurred but not reported is based on an analysis of historical data, current trends related to claims and health care costs and information available from the insurance carrier. Actual ultimate costs may vary from estimates due to variations in actual claims experience from past trends and large unexpected claims being filed. Therefore, changes in claims experience and large unexpected claims could result in changes to our estimate of the claims incurred but not reported liabilities. Refer to the discussion of Self Insurance and Loss Sensitive Plans under Organization and Summary of Significant Accounting Policies included in Notes to Financial Statements on page 25 of our 2008 Annual Report filed with the Securities and Exchange Commission as an exhibit to our Form 10-K on August 29, 2008.

**Allowance for Doubtful Accounts Related to Trade Accounts Receivable** – Our trade accounts receivable consist primarily of receivables due from Original Equipment Manufacturers in the automotive industry and locksmith distributors relating to our service and aftermarket business. Our evaluation of the collectibility of our trade accounts receivable involves judgment and estimates and includes a review of past due items, general economic conditions and the economic climate of the industry as a whole. The estimate of the required reserve involves uncertainty as to future collectibility of receivable balances. This uncertainty is magnified by the financial difficulty currently experienced by our customers as discussed under Risk-Factors-Loss of Significant Customers, Vehicle Content, Vehicle Models and Market Share on page 17 of our 2008 Annual Report filed with the Securities and Exchange Commission as an exhibit to our Form 10-K on August 29, 2008. Refer to the discussion of Receivables under Organization and Summary of Significant Accounting Policies included in Notes to Financial Statements on page 23 of our 2008 Annual Report filed with the Securities and Exchange Commission as an exhibit to our Form 10-K on August 29, 2008. For the quarter ended March 29, 2009, we recorded a provision for bad debts of \$500,000 in connection with Chrysler LLC's filing for Chapter 11 bankruptcy protection for certain of their U.S. legal entities on April 30, 2009. We have approximately \$2.7 million of pre-petition bankruptcy accounts receivable from Chrysler LLC, a portion of which we believe could be uncollectible. Prior to the Chapter 11 bankruptcy filing, we had been accepted into the United States Department of Treasury "Auto Supplier Support Program" relating to our open accounts receivable with Chrysler LLC and we are in the process of determining what trade receivables are eligible for payment under this Program. Based on information currently available, we believe the increase in our reserve is adequate to cover the potential loss exposure related to our trade accounts receivable from Chrysler LLC as of March 29, 2009. As further information becomes available, we may be required to record an additional reserve in the fourth quarter of fiscal 2009 for any additional loss exposure.



Repair and Maintenance Supply Parts Reserve – We maintain an inventory of repair and maintenance parts in support of operations. The inventory includes critical repair parts for all production equipment as well as general maintenance items. The inventory of critical repair parts is required to avoid disruptions in our customers’ just-in-time production schedules due to lack of spare parts when equipment break-downs occur. Depending on maintenance requirements during the life of the equipment, excess quantities of repair parts arise. A repair and maintenance supply parts reserve is maintained to recognize the normal adjustment of inventory for obsolete and slow-moving repair and maintenance supply parts. Our evaluation of the reserve level involves judgment and estimates, which are based on a review of historical obsolescence and current inventory levels. Actual obsolescence may differ from estimates due to actual maintenance requirements differing from historical levels. This could result in changes to our estimated required reserve. Refer to the discussion of Repair and Maintenance Supply Parts under Organization and Summary of Significant Accounting Policies included in the Notes to Financial Statements on page 24 of our 2008 Annual Report filed with the Securities and Exchange Commission as an exhibit to our Form 10-K on August 29, 2008.

We believe the reserves discussed above are estimated using consistent and appropriate methods. However, changes to the assumptions could materially affect the recorded reserves.

Stock-Based Compensation– We account for stock-based compensation in accordance with SFAS No. 123(R), “Share-based Payments.” Under the fair value recognition provisions of this statement, share-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the vesting period. Determining the fair value of share-based awards at the grant date requires judgment, including estimating future volatility of our stock, the amount of share-based awards that are expected to be forfeited and the expected term of awards granted. We estimate the fair value of stock options granted using the Black-Scholes option valuation model. We amortize the fair value of all awards on a straight-line basis over the vesting periods. The expected term of awards granted represents the period of time they are expected to be outstanding. We determine the expected term based on historical experience with similar awards, giving consideration to the contractual terms and vesting schedules. We estimate the expected volatility of our common stock at the date of grant based on the historical volatility of our common stock. The volatility factor used in the Black-Scholes option valuation model is based on our historical stock prices over the most recent period commensurate with the estimated expected term of the award. We base the risk-free interest rate used in the Black-Scholes option valuation model on the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term commensurate with the expected term of the award. We use historical data to estimate pre-vesting option forfeitures. We record stock-based compensation only for those awards that are expected to vest. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be materially impacted.

#### Risk Factors

We recognize we are subject to the following risk factors based on our operations and the nature of the automotive industry in which we operate:

Loss of Significant Customers, Vehicle Content, Vehicle Models and Market Share– Sales to General Motors Corporation, Ford Motor Company, Chrysler LLC and Delphi Corporation represent approximately 75 percent of our annual net sales and, accordingly, these customers account for a significant percentage of our outstanding accounts receivable. The contracts with these customers provide for supplying the customer’s requirements for a particular model. The contracts do not specify a specific quantity of parts. The contracts typically cover the life of a model, which averages approximately four to five years. Components for certain customer models may also be “market tested” annually. Therefore, the loss of any one of these customers, the loss of a contract for a specific vehicle model, reduction in vehicle content, early cancellation of a specific vehicle model, technological changes or a significant reduction in demand for certain key models could occur, and if so, could have a material adverse effect on our existing and future revenues and net income.

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On April 27, 2009, General Motors announced certain aspects of its Revised Viability Plan including reduced production volumes for calendar year 2009 and the subsequent five years. The announcement indicated that certain vehicle brands, including Pontiac, Saturn, Hummer and Saab, will be discontinued. In addition, subsequent to Chrysler LLC's filing for Chapter 11 bankruptcy protection on April 30, 2009, they have announced temporary plant shutdowns for May and June and certain vehicle models planned for discontinuation (Jeep Commander, Dodge Nitro, Dodge Avenger, Dodge Durango, Dodge Dakota, Chrysler Sebring, Chrysler Aspen etc.). We will be evaluating the impact these Plans will have on our business as more details become available.

Our major customers also have significant underfunded legacy liabilities related to pension and postretirement health care obligations. The future impact of these items along with a continuing loss in their North American automotive market share to the “New Domestic” automotive manufacturers (primarily the Japanese automotive manufacturers) and/or a significant decline in the overall market demand for new vehicles may ultimately result in severe financial difficulty for these customers, including bankruptcy. If our major customers cannot fund their operations, we may incur significant write-offs of accounts receivable, incur impairment charges or require additional restructuring actions. For example, on October 8, 2005, Delphi Corporation filed for Chapter 11 bankruptcy protection. As a result, we wrote-off \$1.6 million of uncollectible pre-petition Chapter 11 accounts receivable due from Delphi Corporation. This directly reduced our pre-tax net income during fiscal 2006. On April 30, 2009, Chrysler LLC filed for Chapter 11 bankruptcy protection for certain of their U.S. legal entities. As discussed under Critical Accounting Policies - Other Reserves - Allowance for Doubtful Accounts Related to Trade Accounts Receivable herein, for our quarter ended March 29, 2009 we recorded a provision for bad debts of \$500,000 related to this filing. This directly reduced our pre-tax net income during the period ended March 29, 2009. As further information becomes available, we may be required to record an additional reserve in the fourth quarter of fiscal 2009 for any additional loss exposure.

**Production Slowdowns for Customers –** Our major customers and many of their suppliers have been significantly impacted by the slowing economy. Many of our major customers have instituted production cut backs during fiscal 2009. Moreover, certain of our major customers have announced plans to continue these production cut backs for the remainder of fiscal 2009 and, in some cases, into future fiscal years. For example, during April 2009, General Motors Corporation announced assembly plant downtime for the months of May through July in order to reduce excess inventories at their dealer locations. Most of the 190,000 vehicles removed from General Motors’ production schedules are those that we supply. Consequently, this downtime will further reduce our production schedules that will affect both our sales and profitability for our fiscal fourth quarter ending June 28, 2009. Additionally, on April 27, 2009, General Motors announced some aspects of its Revised Viability Plan including reduced production volumes for the remainder of calendar 2009 and the subsequent five calendar years. We will be evaluating the impact this Plan will have on our business as more details become available. The continuation of these production cut backs could have a material adverse effect on our existing and future revenues and net income.

**Financial Distress of Automotive Supply Base–** Automotive industry conditions have adversely affected STRATTEC and our supply base. Lower production levels for our major customers, increases in certain raw material and energy costs and the global credit market crisis have resulted in severe financial distress among many companies within the automotive supply base. Several automotive suppliers have filed for bankruptcy protection or ceased operations. The continuation of financial distress within the supply base and their inability to obtain credit from lending institutions may lead to commercial disputes and possible supply chain interruptions. In addition, the adverse industry environment may require us to take measures to ensure uninterrupted production. The continuation or worsening of these industry conditions could have a material adverse effect on our existing and future revenues and net income.

**Cost Reduction –** There is continuing pressure from our major customers to reduce the prices we charge for our products. This requires us to generate cost reductions, including reductions in the cost of components purchased from outside suppliers. If we are unable to generate sufficient production cost savings in the future to offset pre-programmed price reductions, our gross margin and profitability will be adversely affected.

**Cyclicality and Seasonality in the Automotive Market –** The automotive market is highly cyclical and is dependent on consumer spending and to a certain extent on customer sales incentives. Economic factors adversely affecting consumer demand for automobiles and automotive production, such as rising fuel costs, could adversely impact our net sales and net income. We typically experience decreased sales and operating income during the first fiscal quarter of each year due to the impact of scheduled customer plant shut-downs in July and new model changeovers.





**Foreign Operations** – As discussed under “Joint Ventures”, we have joint venture investments in Mexico, Brazil and China. These operations are currently not material. However, as these operations expand, their success will depend, in part, on our and our partners’ ability to anticipate and effectively manage certain risks inherent in international operations including: enforcing agreements and collecting receivables through certain foreign legal systems, payment cycles of foreign customers, compliance with foreign tax laws, general economic and political conditions in these countries and compliance with foreign laws and regulations.

**Currency Exchange Rate Fluctuations** – We incur a portion of our expenses in Mexican pesos. Exchange rate fluctuations between the U.S. dollar and the Mexican peso could have an adverse effect on our financial results.

**Sources of and Fluctuations in Market Prices of Raw Materials** – Our primary raw materials are high-grade zinc, brass, magnesium, aluminum, steel and plastic resins. These materials are generally available from a number of suppliers, but we have chosen to concentrate our sourcing with one primary vendor for each commodity or purchased component. We believe our sources of raw materials are reliable and adequate for our needs. However, the development of future sourcing issues related to using existing or alternative raw materials and the global availability of these materials as well as significant fluctuations in the market prices of these materials may have an adverse effect on our financial results if the increased raw material costs cannot be recovered from our customers.

**Disruptions Due to Work Stoppages and Other Labor Matters** – Our major customers and many of their suppliers have unionized work forces. Work stoppages or slow-downs experienced by our customers or their suppliers could result in slow-downs or closures of assembly plants where our products are included in assembled vehicles. For example, strikes by a critical supplier and the United Auto Workers led to extended shut-downs of most of General Motors Corporation’s North American assembly plants in February 2008 and 1998. A material work stoppage experienced by one or more of our customers could have an adverse effect on our business and our financial results. In addition, all production associates at our Milwaukee facility are unionized. A sixteen-day strike by these associates in June 2001 resulted in increased costs as all salaried associates worked with additional outside resources to produce the components necessary to meet customer requirements. The current contract with the unionized associates is effective through June 30, 2012. We may encounter further labor disruption after the expiration date of this contract and may also encounter unionization efforts in our other plants or other types of labor conflicts, any of which could have an adverse effect on our business and our financial results.

**Environmental and Safety Regulations** – We are subject to Federal, state, local and foreign laws and other legal requirements related to the generation, storage, transport, treatment and disposal of materials as a result of our manufacturing and assembly operations. These laws include the Resource Conservation and Recovery Act (as amended), the Clean Air Act (as amended) and the Comprehensive Environmental Response, Compensation and Liability Act (as amended). We have an environmental management system that is ISO-14001 certified. We believe that our existing environmental management system is adequate for current and anticipated operations and we have no current plans for substantial capital expenditures in the environmental area. An environmental reserve was established in 1995 for estimated costs to remediate a site at our Milwaukee facility. The site was contaminated by a former above-ground solvent storage tank, located on the east side of the facility. The contamination occurred in 1985. This is being monitored in accordance with Federal, state and local requirements. We do not currently anticipate any material adverse impact on our results of operations, financial condition or competitive position as a result of compliance with Federal, state, local and foreign environmental laws or other legal requirements. However, risk of environmental liability and changes associated with maintaining compliance with environmental laws is inherent in the nature of our business and there is no assurance that material liabilities or changes could not arise.

**Highly Competitive Automotive Supply Industry** – The automotive component supply industry is highly competitive. Some of our competitors are companies, or divisions or subsidiaries of companies, that are larger than STRATTEC and have greater financial and technology capabilities. Our products may not be able to compete successfully with the products of these other companies, which could result in loss of customers and, as a result, decreased sales and profitability. Some of our major customers have also announced that they will be reducing their supply base. This could potentially result in the loss of these customers and consolidation within the supply base. The loss of any of our major customers could have a material adverse effect on our existing and future net sales and net income.

In addition, our competitive position in the North American automotive component supply industry could be adversely affected in the event that we are unsuccessful in making strategic acquisitions, alliances or establishing joint ventures that would enable us to expand globally. We principally compete for new business at the beginning of the development of new models and upon the redesign of existing models by our major customers. New model development generally begins two to five years prior to the marketing of such new models to the public. The failure to obtain new business on new models or to retain or increase business on redesigned existing models could adversely affect our business and financial results. In addition, as a result of relatively long lead times for many of our components, it may be difficult in the short-term for us to obtain new sales to replace any unexpected decline in the sale of existing products. Finally, we may incur significant product development expense in preparing to meet anticipated customer requirements which may not be recovered.

**Program Volume and Pricing Fluctuations** – We incur costs and make capital expenditures for new program awards based upon certain estimates of production volumes over the anticipated program life for certain vehicles. While we attempt to establish the price of our products for variances in production volumes, if the actual production of certain vehicle models is significantly less than planned, our net sales and net income may be adversely affected. We cannot predict our customers' demands for the products we supply either in the aggregate or for particular reporting periods.

**Investments in Customer Program Specific Assets** – We make investments in machinery and equipment used exclusively to manufacture products for specific customer programs. This machinery and equipment is capitalized and depreciated over the expected useful life of each respective asset. Therefore, the loss of any one of our major customers, the loss of specific vehicle models or the early cancellation of a vehicle model could result in impairment in the value of these assets and may have a material adverse effect on our financial results.

**Financial Industry/Credit Market Risk** - The U.S. capital and credit markets have been experiencing volatility and disruption for over a year. In many cases this has resulted in pressures on borrowers and reduced credit availability from certain issuers without regard to the underlying financial strength of the borrower or issuer. If current levels of financial market disruption and volatility continue or worsen, there can be no assurance that such conditions will not have an effect on the Company's ability to access debt and, in turn, result in a material adverse effect on the Company's business, financial condition and results of operations.

### Item 3 Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk is limited to foreign currency exchange rate risk associated with STRATTEC's foreign operations. We do not utilize financial instruments for trading purposes and hold no derivative financial instruments which would expose us to significant market risk. We have not had outstanding borrowings since December 1997. To the extent that we incur future borrowings under our line of credit, we would be subject to interest rate risk related to such borrowings. There is, therefore, currently no significant exposure to market risk for changes in interest rates. However, we are subject to foreign currency exchange rate exposure related to the U.S. dollar costs of our Mexican operations. A material increase in the value of the Mexican peso relative to the U.S. dollar would increase our expenses and, therefore, could adversely affect our profitability.

### Item 4 Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Security and Exchange Commission's rules and forms, and that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is accumulated and communicated to its management, including its Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of such period, our disclosure controls and procedures were effective at reaching a level of reasonable assurance. It should be noted that in designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost benefit relationship of possible controls and procedures. We have designed our disclosure controls and procedures to reach a level of reasonable assurance of achieving the desired control objectives.

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II  
Other Information

Item 1 Legal Proceedings

In the normal course of business, we may be involved in various legal proceedings from time to time. We do not believe we are currently involved in any claim or action the ultimate disposition of which would have a material adverse effect on our financial statements.

Item 1A. Risk Factors

Please refer to the section titled "Risk Factors" herein for disclosures regarding the risks and uncertainties relating to our business.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds –

Issuer Purchases of Equity Securities

Our Board of Directors authorized a stock repurchase program on October 16, 1996, and the program was publicly announced on October 17, 1996. The Board of Directors has periodically increased the number of shares authorized under the program, most recently in August 2008. The program currently authorizes the repurchase of up to 3,839,395 shares of our common stock from time to time, directly or through brokers or agents, and has no expiration date. Over the life of the repurchase program through March 29, 2009, a total of 3,655,322 shares have been repurchased at a cost of approximately \$136.4 million. No shares were repurchased during the quarter ended March 29, 2009.

Item 3 Defaults Upon Senior Securities - None

Item 4 Submission of Matters to a Vote of Security Holders – None

Item 5 Other Information - None

Item 6 Exhibits

	(a)	Exhibits
31.1	Rule 13a-14(a) Certification for Harold M. Stratton II, Chairman and Chief Executive Officer	
31.2	Rule 13a-14(a) Certification for Patrick J. Hansen, Chief Financial Officer	
32 (1)	18 U.S.C. Section 1350 Certifications	

<sup>(1)</sup> This certification is not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STRATTEC SECURITY CORPORATION (Registrant)

Date: May 8, 2009

By /s/ Patrick J.

Hansen

Patrick J. Hansen

Senior Vice President,

Chief Financial Officer,

Treasurer and Secretary

(Principal Accounting and Financial Officer)

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