

STRATTEC SECURITY CORP

Form 10-K

August 29, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K**

**Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended July 2, 2006.**

**Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
Commission File Number 0-25150  
STRATTEC SECURITY CORPORATION  
(Exact name of registrant as specified in its charter)**

**Wisconsin**

**39-1804239**

(State of Incorporation)

(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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of exchange on which registered

Common Stock, \$.01 par value

The NASDAQ Stock Market

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

The aggregate market value of the voting Common Stock held by non-affiliates of the registrant as of January 1, 2006 (the last business day of the Registrant's most recently completed second quarter), was approximately \$148,457,000 (based upon the last reported sale price of the Common Stock at January 1, 2006, on the NASDAQ Global Market). On August 6, 2006, there were outstanding 3,617,351 shares of \$.01 par value Common Stock.



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Documents Incorporated by Reference

Document	Part of the Form 10-K
Portions of the Annual Report to Shareholders for the fiscal year ended July 2, 2006.	into which incorporated I, II, IV
Portions of the Proxy Statement dated August 29, 2006, for the Annual Meeting of Shareholders to be held on October 3, 2006.	III

**PROSPECTIVE INFORMATION**

A number of the matters and subject areas discussed in this Form 10-K as well as in portions of the Company's 2006 Annual Report to Shareholders and the Company's Proxy Statement, dated August 29, 2006, which are incorporated herein by reference, 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, should, will and could. The 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-K. The discussions of such matters and subject areas are qualified by the inherent risks and uncertainties surrounding future expectations generally, and also 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, 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 the Company's 2006 Annual Report to Shareholders, which is incorporated herein by reference in Item 1A and in the Company's other filings with the Securities and Exchange Commission. 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-K 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-K.

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**PART I**

**Item 1. Business**

The information set forth under Company Description which appears on pages 5 through 9 of the Company's 2006 Annual Report to Shareholders is incorporated herein by reference. For information as to export sales, see the information set forth under Notes to Financial Statements-Export Sales included on page 32 of the Company's 2006 Annual Report to Shareholders, which is incorporated herein by reference.

**Emerging Technologies**

Automotive vehicle access systems, which are both theft deterrent and end user friendly, are being developed as mechanical-electrical devices. Electronic companies are developing user identification systems such as bio-systems, card holder (transmitter) systems, etc., while locks and door latches are evolving to accommodate the electronics. This will result in more secure vehicles and eventually passive entry and passive start. The Company believes it is positioning itself as a vehicle security system supplier by building its product, engineering and manufacturing expertise in the required electro-mechanical products, which include vehicle access latches, keys with assembled remote entry electronic systems, and passive entry systems.

Innovations in alternative materials could eliminate the need for grease and hexavalent chromium, reduce mass and offer potential cost reductions for suppliers and original equipment manufacturers.

These technologies benefit the Company by increasing the potential customer base as a tier 2 supplier while attaining tier 1 status on some product lines and adding additional product line availability.

**Sources and Availability of Raw Materials**

The primary raw materials used by the Company are high-grade zinc, brass, magnesium, aluminum and plastic resins. These materials are generally available from a number of suppliers, but the Company has chosen to concentrate its sourcing with one primary vendor for each commodity. The Company believes its sources for raw materials are very reliable and adequate for its needs. The Company has not experienced any significant long term supply problems in its operations and does not anticipate any significant supply problems in the foreseeable future. See further discussion under Risk Factors-Sources of and Fluctuations in Market Prices of Raw Materials included on page 16 of the Company's 2006 Annual Report to Shareholders, which is incorporated herein by reference.

**Patents, Trademarks and Other Intellectual Property**

The Company believes that the success of its business will not only result from the technical competence, creativity and marketing abilities of its employees but also from the protection of its intellectual property through patents, trademarks and copyrights. As part of its ongoing research, development and manufacturing activities, the Company has a policy of seeking patents on new products, processes and improvements when appropriate.

Although, in the aggregate, the patents discussed above are of considerable importance to the manufacturing and marketing of many of its products, the Company does not consider any single patent or trademark or group of patents or trademarks to be material to its business as a whole, except for the STRATTEC and STRATTEC with logo trademarks.

The Company also relies upon trade secret protection for its confidential and proprietary information. The Company maintains confidentiality agreements with its key executives. In addition, the Company enters into confidentiality agreements with selected suppliers, consultants and associates as appropriate to evaluate new products or business relationships pertinent to the success of the Company. However, there can be no assurance that others will not independently obtain similar information and techniques or otherwise gain access to the Company's trade secrets or that the Company can effectively protect its trade secrets.

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### **Dependence Upon Significant Customers**

A very significant portion of the Company's annual sales are to General Motors Corporation, Delphi Corporation, Ford Motor Company, and DaimlerChrysler Corporation. These four customers accounted for approximately 80 percent, 82 percent and 81 percent of the Company's total net sales in each fiscal year 2006, 2005 and 2004, respectively. Further information regarding sales to the Company's largest customers is set forth under "Loss of Significant Customers, Vehicle Content and Market Share" included on page 16 of the Company's 2006 Annual Report to Shareholders and "Notes to Financial Statements-Sales and Receivable Concentration" included on page 32 of the Company's 2006 Annual Report to Shareholders, both of which are incorporated herein by reference.

The products sold to these customers are model specific, fitting only certain defined applications. Consequently, the Company is highly dependent on its major customers for their business, and on these customers' ability to produce and sell vehicles which utilize the Company's products. The Company has enjoyed relationships with General Motors Corporation, DaimlerChrysler Corporation, Ford Motor Company, and Delphi Corporation in the past, and expects to do so in the future. However, a significant change in the purchasing practices of, or a significant loss of volume from, one or more of these customers could have a detrimental effect on the Company's financial performance. The Company has added resources and increased its emphasis on the New Domestic and the Tier 1 customer base.

Due primarily to the economic pressures affecting Mitsubishi, they have informed the Company that they intend to consolidate the purchase of their lockset requirements with their Japanese supplier for the 2007 model year. As a result, in fiscal 2007, supply of production requirements to Mitsubishi will continue on a limited basis. Mitsubishi represented approximately 3.0 percent and 2.4 percent of the Company's fiscal 2006 and 2005 sales, respectively.

### **Sales and Marketing**

The Company provides its customers with engineered locksets, steering column lock housings and latches, which are unique to specific vehicles. Any given vehicle will typically take 1 to 3 years of development and engineering design time prior to being offered to the public. The locksets, lock housings and latches are designed concurrently with the vehicle. Therefore, commitment to the Company as the production source occurs 1 to 3 years prior to the start of production. The Company employs an engineering staff that assists in providing design and technical solutions to its customers. The Company believes that its engineering expertise is a competitive advantage and contributes toward its strong market position. For example, the Company believes it has recently provided innovative design proposals for new model ignition locks, door locks, tailgate latches and ignition housing locks to its customers that will improve vehicle security system quality, theft deterrence and system cost.

The typical process used by automotive manufacturers in selecting a lock, lock housing or latch supplier is to offer the business opportunity to the Company and several of the Company's competitors. Each competitor will pursue the opportunity, doing its best to provide the customer with the most attractive proposal. Price pressure is strong during this process but once an agreement is reached, the price is fixed for each year of the product program. Typically, price reductions resulting from productivity improvement by the Company are included in the contract and are estimated in evaluating each of these opportunities by the Company. A blanket purchase order, a contract indicating a specified part will be supplied at a specified price during a defined time period, is issued by customers for each model year. Product run releases or quantity commitments are made to that purchase order for weekly deliveries to the customer. As a consequence and because the Company is a "Just-in-Time" supplier to the automotive industry, it does not maintain a backlog of orders in the classic sense for future production and shipment.

### **Competition**

The Company competes with domestic and foreign-based competitors on the basis of custom product design, engineering support, quality, delivery and price. While the number of direct competitors is currently relatively small, the automotive manufacturers actively encourage competition between potential suppliers. The Company has a dominant share of the North American market because of its ability to provide total value, which is a beneficial combination of price, quality, technical support, program management innovation and aftermarket support. In order to reduce lockset or housing production costs while still offering a wide range of technical support, the Company utilizes assembly and component manufacturing operations in Mexico, which results in lower labor costs as compared to the United States.



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As locks become more sophisticated and involve additional electronics, competitors with specific electronic expertise may emerge to challenge the Company. To address this, the Company is strengthening its electrical engineering knowledge and service. It is also working with several electronics suppliers to jointly develop and supply these advanced products.

The Company's lockset and housing competitors include Huf North America, Ushin-Ortech, Tokai-Rika, Alpha-Tech Valeo, Methode, Shin Chang, and Pollak. For additional information related to competition, see the information set forth under Risk Factors-Highly Competitive Automotive Supply Industry included on page 17 of the Company's 2006 Annual Report to Shareholders, which is incorporated herein by reference.

### **Research and Development**

The Company engages in research and development activities pertinent to automotive access control. A major area of focus for research is the expanding role of vehicle access via electronic interlocks and modes of communicating authorization data between consumers and vehicles. Development activities include new products, applications and product performance improvement. In addition, specialized data collection equipment is developed to facilitate increased product development efficiency and continuous quality improvements. For fiscal years 2006, 2005, and 2004, the Company spent approximately \$2,200,000, \$2,000,000, and \$1,600,000, respectively, on research and development. The Company believes that, historically, it has committed sufficient resources to research and development and anticipates increasing such expenditures in the future as required to support additional product programs associated with both existing and new customers. Patents are pursued and will continue to be pursued as appropriate to protect the Company's interests resulting from these activities.

### **Customer Tooling**

The Company incurs costs related to tooling used in component production and assembly. See the information set forth under Notes to Financial Statements-Customer Tooling in Progress included on pages 22 and 23 of the Company's 2006 Annual Report to Shareholders, which is incorporated herein by reference.

### **Environmental Compliance**

As is the case with other manufacturers, the Company is subject to federal, state, local and foreign laws and other legal requirements relating to the generation, storage, transport, treatment and disposal of materials as a result of its housing, lock and key manufacturing and assembly operations. These laws include the Resource Conservation and Recovery Act (as amended), the Clean Air Act (as amended), the Clean Water Act of 1990 (as amended) and the Comprehensive Environmental Response, Compensation and Liability Act (as amended). The Company has an environmental management system that is ISO-14001 certified. The Company believes that its existing environmental management system is adequate and it has no current plans for substantial capital expenditures in the environmental area.

As discussed in Notes to Financial Statements-Commitments and Contingencies included on page 27 of the Company's 2006 Annual Report to Shareholders, which is incorporated herein by reference, a site at the Company's Milwaukee facility is contaminated by a solvent spill from an above-ground solvent storage tank located on the east side of the facility, which occurred in 1985. This situation is being monitored by the Company.

The Company does not currently anticipate any materially adverse impact on its financial statements 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 charges associated with maintaining compliance with environmental laws is inherent in the nature of the Company's business and there is no assurance that material liabilities or charges could not arise.

### **Employees**

At July 2, 2006, the Company had approximately 1,900 full-time employees, of which approximately 278 or 15% percent were represented by a labor union, which accounts for all production associates at the Company's Milwaukee facility. In June 2005, a new contract with the unionized associates was ratified and is effective through June 29, 2008. During June 2001, there was a 16-day strike by the represented employees at the Company's Milwaukee facility. Further information regarding the strike, work stoppages and other labor matters are discussed under Risk Factors-Disruptions Due to Work Stoppages and Other Labor Matters included on pages 16 and 17 of the Company's 2006 Annual Report to Shareholders, which is incorporated herein by reference.



**Table of Contents****Available Information**

The Company maintains its corporate website at [www.strattec.com](http://www.strattec.com) and makes available, free of charge, through this website its code of business ethics, annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports that the Company files with, or furnishes to, the Securities and Exchange Commission (the Commission) as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the Commission. Information on the Company's website is not part of this report.

**Item 1A. Risk Factors**

The information set forth under Risk Factors which appears on pages 16 through 17 of the Company's 2006 Annual Report to Shareholders is incorporated herein by reference.

**Item 1B. Unresolved Staff Comments**

Not Applicable

**Item 2. Properties**

The Company has three manufacturing plants, one warehouse, and a sales office. These facilities are described as follows:

Location	Type	Sq. Ft.	Owned or Leased
Milwaukee, Wisconsin	Headquarters and General Offices; Component Manufacturing, Assembly and Service Parts Distribution	352,000	Owned
Juarez, Chihuahua Mexico	Subsidiary Offices and Assembly	97,000	Owned
Juarez, Chihuahua Mexico	Subsidiary Offices and Key Finishing Operations	62,000	Leased
El Paso, Texas	Finished Goods Warehouse	22,800	Leased**
Troy, Michigan	Sales and Engineering Office for Detroit Customer Area	6,000	Leased**

\*\* Leased unit within a complex.

The Company believes its production facilities are adequate for the foreseeable future as they relate to the Company's current products. As the Company evaluates and expands into other products, consideration of further production facilities will be necessary.

**Item 3. Legal Proceedings**

In the normal course of business the Company may be involved in various legal proceedings from time to time. The Company does not believe it is currently involved in any claim or action the ultimate disposition of which would have a material adverse effect on the Company's financial statements.

**Item 4. Submission of Matters to a Vote of Security Holders**

There were no matters submitted to a vote of shareholders during the fourth quarter of fiscal 2006.

**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The Company's 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 February 2006 when an additional 200,000 shares was authorized for repurchase. The program currently authorizes the repurchase of up to 3,639,395 shares of the Company's 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 July 2, 2006, a total of 3,258,487 shares have been repurchased at a cost of approximately \$122.0 million.



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## Issuer Purchases of Equity Securities:

Period	Total Number Of Shares Purchased	Average Price Paid Per Share	Total Number Of Shares Purchased As Part of Publicly Announced Program	Maximum Number Of Shares that May Yet be Purchased Under the Program
April 3, 2006	51,400	\$ 35.28	51,400	393,108
May 7, 2006				
May 8, 2006	12,200	\$ 40.99	12,200	380,908
June 4, 2006				
June 5, 2006				
July 2, 2006				
Total	63,600	\$ 36.38	63,600	380,908

The Company's common stock is traded on the NASDAQ Global Market under the symbol "STRT". The information set forth in the Financial Summary-Quarterly Financial Data section appearing on page 36 of the Company's 2006 Annual Report to Shareholders is incorporated herein by reference.

The information set forth under Notes to Financial Statements-Line of Credit included on page 27 of the Company's 2006 Annual Report to Shareholders is incorporated herein by reference.

**Item 6. Selected Financial Data**

The information set forth under Five Year Financial Summary which appears on page 36 of the Company's 2006 Annual Report to Shareholders is incorporated herein by reference. Such information should be read along with the Company's financial statements and the notes to those financial statements and with Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere herein.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The information set forth under Management's Discussion and Analysis which appears on pages 11 through 17 of the Company's 2006 Annual Report to Shareholders is incorporated herein by reference.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

The Company did not hold any market risk sensitive instruments during the period covered by this report.

**Item 8. Financial Statements and Supplementary Data**

The financial statements, together with the report thereon of Grant Thornton LLP dated August 22, 2006, the report of management on internal control over financial reporting and the report of Grant Thornton LLP on internal control over financial reporting dated August 22, 2006, which appear on pages 18 through 35 of the Company's 2006 Annual Report to Shareholders, are incorporated herein by reference.

Our quarterly results of operations is included under Financial Summary-Quarterly Financial Data (unaudited) which appears on page 36 of the Company's 2006 Annual Report to Shareholders is incorporated herein by reference.

**Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure**

Not applicable.

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**Item 9A. Controls and Procedures**

As of the end of the period covered by this report, the Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in reports that the Company files with or submits to the Commission. 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 was necessarily required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The Company has designed its disclosure controls and procedures to reach a level of reasonable assurance of achieving the desired control objectives and based on the evaluation described above, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at reaching that level of reasonable assurance.

There was no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended July 2, 2006 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The report of management required under this Item 9a is included on page 33 of the Company's 2006 Annual Report to Shareholders under the heading "Report on Management's Assessment of Internal Control over Financial Reporting" and is incorporated herein by reference.

The attestation report required under this Item 9a is included on page 34 of the Company's 2006 Annual Report to Shareholders under the heading "Report of Independent Registered Public Accounting Firm" and is incorporated herein by reference.

**Item 9B. Other Information**

On August 22, 2006, the Company's Board of Directors amended the Economic Value Added (EVA) Plan for Executive Officers and Senior Managers (the EVA Plan), the purpose of which is to provide incentive compensation to certain key employees, including all executive officers, in a form which relates the financial reward to an increase in the value of the Company to its shareholders. A Copy of the amended EVA Plan is attached hereto as an exhibit and is incorporated herein by reference.

The EVA Plan was amended to provide that those persons designated as Executive Officers under the EVA Plan shall not be entitled to receive a bonus in any plan year in which no bonuses are paid to participants in the Company's Economic Value Added Bonus Plan for Salaried Employees or the Company's Economic Value Added Bonus Plan for Represented Employee Associates. Instead, such amounts are added to, and are subject to, the Executive Officers' at risk Bonus Bank, as described in the terms of the EVA Plan.

In addition to the foregoing amendment, the EVA Plan was amended to make certain clerical changes and changes to ensure certain payments made under the EVA Plan comply with the requirements of section 409A of the Internal Revenue Code of 1986, as amended.

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The information on pages 2, 6, 9, 10, and 12 of the Company's Proxy Statement, dated August 29, 2006, under Proposal: Election of Directors, Code of Business Ethics, Audit Committee Financial Expert, Executive Officers, and Section 16(a) Beneficial Ownership Reporting Compliance is incorporated herein by reference.

The Audit Committee of the Company's Board of Directors is an audit committee for purposes of Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the Audit Committee consist of three outside independent Directors, Michael J. Koss, Audit Committee Chairman, Robert Feitler and Frank J. Krejci.

**Item 11. Executive Compensation**

The information on pages 9, 10 and 18 through 22 of the Company's Proxy Statement, dated August 29, 2006, under Compensation of Directors and Executive Compensation is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters**

The information on pages 11 and 12 of the Company's Proxy Statement, dated August 29, 2006, under Security Ownership is incorporated herein by reference.

**Equity Compensation Plan Information**

The following table summarizes share information, as of July 2, 2006, for the Company's Stock Incentive Plan.

<b>Plan Category</b>	<b>Number of common shares to be issued upon exercise  of outstanding  options, warrants, and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants, and rights</b>	<b>Number of common shares available for future issuance under equity compensation plans</b>
Equity compensation plans approved by shareholders	283,530	\$ 56.53	311,813
Equity compensation plans not approved by shareholders			
<b>Total</b>	<b>283,530</b>	<b>\$ 56.53</b>	<b>311,813</b>

**Item 13. Certain Relationships and Related Transactions**

The information on pages 18 through 22 of the Company's Proxy Statement, dated August 29, 2006, under Executive Compensation is incorporated herein by reference.

**Item 14. Principal Accountant Fees and Services**

The information on pages 8 and 9 of the Company's Proxy Statement, dated August 29, 2006, under Fees of Independent Registered Public Accounting Firm is incorporated herein by reference.

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**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

(a) The following documents are filed as part of this report:

(1)(i) Financial Statements The following financial statements of the Company, included on pages 18 through 35 of the Company's 2006 Annual Report to Shareholders, are incorporated by reference in Item 8.

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of July 2, 2006 and July 3, 2005

Consolidated Statements of Income years ended July 2, 2006, July 3, 2005 and June 27, 2004

Consolidated Statements of Shareholders' Equity years ended July 2, 2006, July 3, 2005 and June 27, 2004

Consolidated Statements of Cash Flows years ended July 2, 2006, July 3, 2005 and June 27, 2004

Notes to Financial Statements

(2) Financial Statement Schedule

All schedules have been omitted because they are not applicable or are not required, or because the required information has been included in the Financial Statements or Notes thereto.

(3) Exhibits. See Exhibit Index beginning on page 12.

(b) Exhibits

The response to this portion of Item 15 is submitted as a separate section of this report.

(c) Financial Statement Schedules

The response to this portion of Item 15 is submitted as a separate section of this report.

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**SIGNATURES**

Pursuant to the requirements of Section 13 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

By: /s/ Harold M. Stratton II

Harold M. Stratton II  
Chairman, President and Chief Executive Officer

Date: August 29, 2006

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Harold M. Stratton II Harold M. Stratton II	Chairman, President, Chief Executive Officer, and Director (Principal Executive Officer)	August 22, 2006
/s/ Frank J. Krejci Frank J. Krejci	Director	August 22, 2006
/s/ Michael J. Koss Michael J. Koss	Director	August 22, 2006
/s/ Robert Feitler Robert Feitler	Director	August 22, 2006
/s/ David R. Zimmer David R. Zimmer	Director	August 22, 2006
/s/ Patrick J. Hansen Patrick J. Hansen	Senior Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer)	August 22, 2006

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**EXHIBIT INDEX TO ANNUAL REPORT  
ON FORM 10-K**

Exhibit		
3.1 <sup>(2)</sup>	Amended and Restated Articles of Incorporation of the Company	*
3.2 <sup>(10)</sup>	By-laws of the Company	*
4.1 <sup>(11)</sup>	Promissory Note dated November 1, 2005 by and between the Company and M&I Bank	*
10.1 <sup>(10)</sup> **	Amended STRATTEC SECURITY CORPORATION Stock Incentive Plan	*
10.2 <sup>(10)</sup> **	Form of Restricted Stock Grant Agreement	*
10.3 <sup>(3)</sup> <sup>(4)</sup> <sup>(5)</sup> <sup>(6)</sup> <sup>(8)</sup> <sup>(9)</sup> **	Employment Agreements between the Company and the identified executive officers	*
10.4 <sup>(1)</sup> <sup>(3)</sup> <sup>(4)</sup> <sup>(5)</sup> <sup>(6)</sup> <sup>(8)</sup> <sup>(9)</sup> **	Change In Control Agreements between the Company and the identified executive officers	*
10.5 **	Amended STRATTEC SECURITY CORPORATION Economic Value Added Plan for Executive Officers and Senior Managers	
10.6 <sup>(6)</sup> **	Amended STRATTEC SECURITY CORPORATION Economic Value Added Plan for Non-employee Members of the Board of Directors	*
10.7 <sup>(12)</sup> **	Amended STRATTEC SECURITY CORPORATION Supplemental Executive Retirement Plan	*
13	Annual Report to Shareholders for the year ended July 2, 2006	
21 <sup>(7)</sup>	Subsidiaries of the Company	*
23.1	Consent of Independent Registered Public Accounting Firm dated August 22, 2006	
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 <sup>(13)</sup>	18 U.S.C. Section 1350 Certifications	

\* Previously filed

\*\* Management contract or compensatory plan or arrangement

(1)

Incorporated by reference from Amendment No. 1 to the Form 10 filed on January 20, 1995.

(2) Incorporated by reference from Amendment No. 2 to the Form 10 filed on February 6, 1995.

(3) Incorporated by reference from the June 27, 1999 Form 10-K filed on September 17, 1999.

(4) Incorporated by reference from the July 1, 2001 Form 10-K filed on September 4, 2001.

(5) Incorporated by reference from the June 30, 2002 Form 10-K filed on August 28, 2002.

(6) Incorporated by reference from the June 29, 2003 Form 10-K filed on August 28, 2003.

(7) Incorporated by reference from the June 27, 2004 Form

10-K filed on  
August 27,  
2004.

- (8) Incorporated by reference from the September 26, 2004 Form 10-Q filed on November 2, 2004.
- (9) Incorporated by reference from the March 27, 2005 Form 10-Q filed on April 29, 2005.
- (10) Incorporated by reference from the Form 8-K filed on October 7, 2005.
- (11) Incorporated by reference from the October 2, 2005 Form 10-Q filed on November 4, 2005.
- (12) Incorporated by reference from the January 1, 2006 Form 10-Q filed on February 7, 2006.
- (13) 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.