SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended January 1, 2006

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	**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)

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 _X_ NO ___

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 _X_ 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 _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: 3,744,224 shares outstanding as of January 1, 2006.

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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," "should," "will" and "could." 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 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 this Form 10-Q.

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		Six Months Ended	
	January 1, 2006	December 26, 2004	January 1, 2006	December 26, 2004
Net sales	$ 43,278	$ 48,436	$ 88,071	$ 93,027
Cost of goods sold	34,736	36,947	69,755	70,768
Gross profit	8,542	11,489	18,316	22,259
Engineering, selling and administrative expenses	5,494	4,848	10,779	10,014
Provision for bad debts	-	43	3,200	40
Income from operations	3,048	6,598	4,337	12,205
Interest income	574	233	1,063	416
Other income, net	124	196	164	159
Income before provision for income taxes	3,746	7,027	5,564	12,780
Provision for income taxes	1,090	2,600	1,168	4,729
Net income	$ 2,656	$ 4,427	$ 4,396	$ 8,051
Earnings per share:				
Basic	$ 0.71	$ 1.16	$ 1.17	$ 2.12
Diluted	$ 0.71	$ 1.15	$ 1.17	$ 2.09
Average Shares Outstanding:				
Basic	3,744	3,806	3,745	3,806
Diluted	3,748	3,840	3,751	3,847

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)

	January 1, 2006 (unaudited)	July 3, 2005
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 55,168	$ 56,950
Receivables, net	20,588	26,053
Inventories -		
Finished products	4,379	3,691
Work in process	4,436	5,171
Purchased materials	6,795	6,287
LIFO adjustment	(3,273)	(3,495)
Total inventories	12,337	11,654
Other current assets	11,244	10,030
Total current assets	99,337	104,687
Deferred income taxes	1,796	1,796
Investment in joint ventures	1,614	1,412
Other long-term assets	596	603
Property, plant and equipment	109,420	105,936
Less: accumulated depreciation	(79,772)	(76,344)
Net property, plant and equipment	29,648	29,592
	$ 132,991	$ 138,090
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 14,742	$ 17,218
Accrued Liabilities:		
Payroll and benefits	5,395	7,679
Environmental reserve	2,688	2,701
Other	1,971	2,470
Total current liabilities	24,796	30,068
Accrued pension and postretirement obligations	11,471	16,271
Shareholders' equity:		
Common stock, authorized 12,000,000 shares $.01 par value, issued 6,880,457 shares at January 1, 2006 and 6,856,237 shares at July 3, 2005	69	69
Capital in excess of par value	76,606	74,924
Retained earnings	149,664	145,268
Accumulated other comprehensive loss	(11,962)	(12,047)
Less: treasury stock, at cost (3,136,233 shares at January 1, 2006 and 3,113,004 shares at July 3, 2005)	(117,653)	(116,463)
Total shareholders' equity	96,724	91,751
	$ 132,991	$ 138,090

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

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Six Months Ended	
	January 1, 2006	December 26, 2004
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 4,396	$ 8,051
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,632	3,681
Tax benefit from options exercised	61	672
Stock based compensation expense	560	-
Increase in allowance for doubtful accounts	3,200	-
Change in operating assets and liabilities:		
Receivables	2,275	3,260
Inventories	(683)	(2,737)
Other assets	(1,192)	267
Accounts payable and accrued liabilities	(10,112)	(12,269)
Other, net	65	224
Net cash provided by operating activities	2,202	1,149
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in joint ventures	(50)	(75)
Purchase of property, plant and equipment	(3,840)	(2,020)
Proceeds received on sale of property, plant and equipment	22	-
Net cash used in investing activities	(3,868)	(2,095)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of treasury stock	(1,196)	(6,254)
Exercise of stock options	1,080	3,132
Net cash used in financing activities	(116)	(3,122)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,782)	(4,068)
CASH AND CASH EQUIVALENTS		
Beginning of period	56,950	54,231
End of period	$ 55,168	$ 50,163
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	$ 2,861	$ 3,746
Interest paid	-	-

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

Basis of Financial Statements

STRATTEC SECURITY CORPORATION designs, develops, manufactures and markets mechanical locks, electro-mechanical locks, latches and related security/access control products for global automotive manufacturers. The accompanying financial statements reflect the consolidated results of STRATTEC SECURITY CORPORATION, located in Milwaukee, Wisconsin, and its wholly owned Mexican subsidiaries, STRATTEC de Mexico and STRATTEC Componentes Automotrices, both located in Juarez, Mexico.

In the opinion of management, the accompanying condensed balance sheet as of July 3, 2005, which has been derived from audited financial statements, and the unaudited interim condensed 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 2005 Annual Report.

Certain reclassifications have been made to the 2005 interim financial statements to conform to the 2006 presentation.

Receivables

Receivables consist primarily of trade receivables due from Original Equipment Manufacturers in the automotive industry and locksmith distributors relating to our service and aftermarket business. We evaluate the collectibility of receivables based on a number of factors. An allowance for doubtful accounts is recorded for significant past due receivable balances based on a review of past due items, general economic conditions and the industry as a whole. The allowance for doubtful accounts was increased by $3.2 million during the six months ended January 1, 2006 in connection with the filing for Chapter 11 bankruptcy protection by Delphi Corporation on October 8, 2005. The $3.2 million represents the amount of our accounts receivable balance due from Delphi which we believe could be uncollectible.

Income Taxes

The provision for income taxes for the three months ended January 1, 2006 includes a favorable foreign tax adjustment related to our Mexican subsidiaries of $296,000. The provision for income taxes for the six months ended January 1, 2006 includes this favorable foreign tax adjustment as well as a state refund claim recovery. The claim recovery, net of the federal income tax impact, was $595,000.

Earnings Per Share (EPS)

Basic earnings per share is computed on the basis of the weighted average number of shares of common stock outstanding during the period. Diluted 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					
	January 1, 2006			December 26, 2004		
	Net Income	Weighted Average Shares	Per-Share Amount	Net Income	Weighted Average Shares	Per-Share Amount
Basic Earnings Per Share	$ 2,656	3,744	$ 0.71	$ 4,427	3,806	$ 1.16
Dilutive Effect of Employee Stock Options		4			34	
Diluted Earnings Per Share	$ 2,656	3,748	$ 0.71	$ 4,427	3,840	$ 1.15

	Six Months Ended					
	January 1, 2006			December 26, 2004		
	Net Income	Weighted Average Shares	Per-Share Amount	Net Income	Weighted Average Shares	Per-Share Amount
Basic Earnings Per Share	$ 4,396	3,745	$ 1.17	$ 8,051	3,806	$ 2.12
Dilutive Effect of Employee Stock Options		6			41	
Diluted Earnings Per Share	$ 4,396	3,751	$ 1.17	$ 8,051	3,847	$ 2.09

As of January 1, 2006, options to purchase 250,330 shares of common stock at a weighted-average exercise price of $58.99 were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive. As of December 26, 2004, options to purchase 62,540 shares of common stock at a weighted-average exercise price of $75.73 were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

Comprehensive Income

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

	Three Months Ended		Six Months Ended	
	January 1, 2006	December 26, 2004	January 1, 2006	December 26, 2004
Net Income	$ 2,656	$ 4,427	$ 4,396	$ 8,051
Change in Cumulative Translation Adjustments, net	70	115	85	94
Total Comprehensive Income	$ 2,726	$ 4,542	$ 4,481	$ 8,145

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. Awards that expire or are cancelled without delivery of shares generally become available for re-issuance under the plan. We issue new shares to satisfy stock option exercises and the vesting of restricted stock.

Nonqualified and incentive stock options 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 a 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 3 years after the date of grant. Shares of restricted stock granted under the plan are subject to vesting criteria determined by a committee of the Board of Directors at the time the shares are granted. In October 2005, restricted stock was granted to our officers and specified employees. The restricted stock so granted vests 3 years after the date of grant.

In December 2004, the Financial Accounting Standards Board (‘FASB’) issued Statement of Financial Accounting Standards (‘SFAS’) No. 123(R), “Share Based Payments,” which changed the accounting for equity compensation programs. Under SFAS No. 123(R), companies that award share-based payments to employees, including stock options, must begin to recognize the expense of these awards in the financial statements at the time the employee receives the award. As allowed by SFAS 123 and SFAS 148, we previously elected to follow APB Opinion No. 25 in accounting for our stock option plan. Under APB Opinion 25, no compensation cost was recognized prior to fiscal 2006 because the exercise price of all options granted under this plan was equal to or exceeded the market price of the underlying stock on the grant date. In accordance with the effective date, we implemented the provisions of SFAS 123(R) on July 4, 2005, which was the beginning of our current fiscal year.

The effect of applying the expense recognition provisions of SFAS 123(R) for stock option and restricted stock grants on income before provision for income taxes, net income and basic and diluted earnings per share is presented below (in thousands, except per share amounts):

	Three Months Ended January 1, 2006			
		Change From Applying Provisions of SFAS 123(R)		
	As Reported	Stock Options	Restricted Stock	Pro Forma
Income Before Provision for Income Taxes	$ 3,746	$ 314	$ 37	$ 4,097
Provision for Income taxes	$ 1,090	$ 116	$ 14	$ 1,220
Net Income	$ 2,656	$ 198	$ 23	$ 2,877
Basic Earnings Per Share	$ 0.71	$ 0.05	$ 0.01	$ 0.77
Diluted Earnings Per Share	$ 0.71	$ 0.05	$ 0.01	$ 0.77

	Six Months Ended January 1, 2006			
		Change From Applying Provisions of SFAS 123(R)		
	As Reported	Stock Options	Restricted Stock	Pro Forma
Income Before Provision for Income Taxes	$ 5,564	$ 523	$ 37	$ 6,124
Provision for Income taxes	$ 1,168	$ 194	$ 14	$ 1,376
Net Income	$ 4,396	$ 329	$ 23	$ 4,748
Basic Earnings Per Share	$ 1.17	$ 0.09	$ 0.01	$ 1.27
Diluted Earnings Per Share	$ 1.17	$ 0.09	$ 0.01	$ 1.27

The effect of applying the provisions of SFAS 123(R) for stock option grants on cash flow from operations and cash flow from financing activities was not material for the three or six month periods ended January 1, 2006.

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 six months ended January 1, 2006 is as follows:

	Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Balance, July 3, 2005	281,860	$ 54.80		
Granted	40,000	$ 61.22		
Exercised	(24,220)	$ 43.30		
Expired	(4,000)	$ 53.18		
Forfeited	(7,500)	$ 59.19		
Balance, January 1, 2006	286,140	$ 56.58	4.7	$ 151
Exercisable, January 1, 2006	130,350	$ 52.49	3.8	$ 151

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

	Three Months Ended		Six Months Ended	
	January 1, 2006	December 26, 2004	January 1, 2006	December 26, 2004
Intrinsic Value of Options Exercised	$ -	$ 741	$ 188	$ 1,983
Fair Value of Stock Options Vesting	$ -	$ -	$ 969	$ 470

A summary of restricted stock activity under the plan for the six months ended January 1, 2006 is as follows:

	Shares (in thousands)	Weighted Average Grant Date Fair Value
Nonvested Balance, July 3, 2005	-	-
Granted	9,900	$ 51.24
Vested	-	-
Forfeited	-	-
Nonvested Balance, January 1, 2006	9,900	$ 51.24

As of January 1, 2006, there was $1.2 million 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 11 months. As of January 1, 2006, there was $419,000 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 1.4 years.

Cash received from stock option exercises during the six months ended January 1, 2006 was $1.0 million. The income tax benefits from stock option exercises during the six months ended January 1, 2006 was $62,000.

Prior to fiscal 2006, we accounted for our stock-based compensation plan using the intrinsic value method. Accordingly, no compensation cost related to this plan was charged against earnings during the three and six month periods ended December 26, 2004. Had compensation cost for this plan been determined using the fair value method rather than the intrinsic value method, the pro forma impact on earnings per share would have been as follows (in thousands, except per share amounts):

	Three Months Ended December 26, 2004	Six Months Ended December 26, 2004
Net Income as Reported	$ 4,427	$ 8,051
Less Compensation Expense Determined Under Fair Value Method, net of tax	(269)	(494)
Pro Forma Net Income	$ 4,158	$ 7,557
Basic EPS as Reported	$ 1.16	$ 2.12
Pro Forma Basic EPS	$ 1.09	$ 1.99
Diluted EPS as Reported	$ 1.15	$ 2.09
Pro Forma Diluted EPS	$ 1.09	$ 1.97

Pension and Other Post-retirement 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 post-retirement health care plan for all 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. In June, 2005, amendments were made to the postretirement plan including a change in the number of years of allowed benefit and a change in the medical plan providing the benefit coverage. The maximum number of years of benefit was reduced from 10 to 5 for bargaining unit associates retiring after June 27, 2005 and for non-bargaining unit associates retiring after October 1, 2005. Effective September 1, 2005, coverage under the plan was based on a market driven plan, which entails a high deductible medical plan with a health reimbursement account. The postretirement health care plan is unfunded. The following table summarizes the net periodic benefit cost recognized for each of the periods indicated:

	Pension Benefits		Postretirement Benefits	
	Three Months Ended		Three Months Ended	
	January 1, 2006	December 26, 2004	January 1, 2006	December 26, 2004
COMPONENTS OF NET PERIODIC BENEFIT COST:				
Service cost	$ 635	$ 546	$ 58	$ 73
Interest cost	981	871	122	148
Expected return on plan assets	(1,248)	(1,049)	-	-
Amortization of prior service cost	5	2	(94)	2
Amortization of unrecognized net loss	320	48	132	63
Amortization of net transition asset	-	(12)	-	-
Net periodic benefit cost	$ 693	$ 406	$ 218	$ 286

	Pension Benefits		Postretirement Benefits	
	Six Months Ended		Six Months Ended	
	January 1, 2006	December 26, 2004	January 1, 2006	December 26, 2004
COMPONENTS OF NET PERIODIC BENEFIT COST:				
Service cost	$ 1,270	$ 1,092	$ 116	$ 146
Interest cost	1,962	1,742	245	296
Expected return on plan assets	(2,495)	(2,098)	-	-
Amortization of prior service cost	10	4	(189)	4
Amortization of unrecognized net loss	638	96	264	126
Amortization of net transition asset	-	(24)	-	-
Net periodic benefit cost	$ 1,385	$ 812	$ 436	$ 572

Contributions made to the qualified pension plan during the six months ended January 1, 2006 totaled $6 million. Contributions to the qualified plan during the six months ended December 26, 2004 totaled $8 million. No additional contributions are anticipated to be made during the remainder of fiscal 2006.

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 Financial Statements and Notes thereto and our 2005 Annual Report. Unless otherwise indicated, all references to years refer to fiscal years.

Analysis of Results of Operations

Three months ended January 1, 2006 compared to the three months ended December 26, 2004

Net sales for the three months ended January 1, 2006 were $43.3 million compared to net sales of $48.4 million for the three months ended December 26, 2004. Based on the timing of our quarter end and a one week holiday shutdown, the current quarter included 12 customer shipping weeks while the prior year quarter included 13 shipping weeks. The impact of one less week of customer shipments during the current quarter reduced sales by approximately $2.4 million. Overall sales to our largest customers decreased in the current quarter compared to the prior year quarter levels. Sales to DaimlerChrysler Corporation increased slightly during the current quarter to $13.1 million compared to $12.8 million due to favorable vehicle content mix. Sales to Mitsubishi Motor Manufacturing of America, Inc. were $1.3 million compared to $1.0 million due to higher vehicle production volumes and increased product content. Sales to Ford Motor Company were $6.8 million compared to $8.5 million due to price reductions, discontinued models and lower levels of vehicle production. Sales to General Motors Corporation were $7.9 million compared to $10.8 million due to a combination of price reductions, discontinued models and lower levels of production on General Motors full-sized SUV's. These reduced production levels were due to the change-over to new models and inventory balancing on certain other vehicles. Sales to Delphi Corporation were $7.1 million compared to $8.0 million due to pre-programmed price reductions and lower levels of production.

Gross profit as a percentage of net sales was 19.7 percent in the current quarter compared to 23.7 percent in the prior year quarter. The decline is primarily attributed to lower production volumes, higher purchased material costs for brass, zinc and magnesium and a less favorable Mexican peso to U.S. dollar exchange rate affecting our Mexican operations. The average zinc price per pound increased to $0.77 in the current quarter compared to $0.59 in the prior year quarter. During the current quarter an average of approximately 730,000 pounds of zinc was used per month. This resulted in increased zinc costs of approximately $395,000. The average brass price per pound increased to $2.49 in the current quarter from $1.92 in the prior year quarter. During the current quarter an average of approximately 110,000 pounds of brass was used per month. This resulted in increased brass costs of approximately $188,000. Increased magnesium costs resulted in increased purchased component costs of approximately $50,000 in the current quarter. The inflation rate in Mexico for the 12 months ended December 2005 was approximately 3 percent and increased costs approximately $140,000. The U.S. dollar/Mexican peso exchange rate decreased to approximately 10.6 pesos to the dollar in the current period from approximately 11.3 pesos to the dollar in the prior year period. This resulted in increased costs related to our Mexican operations of approximately $290,000.

Engineering, selling and administrative expenses were $5.5 million in the current quarter, compared to $4.8 million in the prior year quarter. The increased expenses are primarily the result of recognizing stock based compensation expense and increased engineering development costs. At the beginning of the current fiscal year, we adopted Statement of Financial Accounting Standards ('SFAS'), No. 123(R), "Share Based Payments," to recognize stock-based compensation expense in our financial statements. Compensation expense of $351,000 was recognized during the current quarter in connection with adoption of SFAS No. 123(R). Prior to adoption, no stock-based compensation expense was reflected in the statement of income.

Income from operations decreased to $3.0 million in the current quarter from $6.6 million in the prior year quarter. The decrease is primarily the result of the reduction in net sales and the decline in the gross margin as discussed above.

The effective income tax rate for the current quarter was 29.1 percent compared to 37.0 percent in the prior year quarter. The current quarter income tax provision includes a favorable foreign tax adjustment related to the operation of our Mexican subsidiaries of $296,000

Six months ended January 1, 2006 compared to the six months ended December 26, 2004

Net sales for the six months ended January 1, 2006 were $88.1 million compared to net sales of $93.0 million for the six months ended December 26, 2004. Based on the timing of our fiscal December month end and a one week holiday shutdown, the current period included 25 customer shipping weeks while the prior year period included 26 shipping weeks. The impact of one less week of customer shipments during the current period reduced sales by approximately $2.4 million. Overall sales to our largest customers decreased in the current period compared to the prior year period levels. Sales to DaimlerChrysler Corporation increased during the current period to $27.7 million compared to $23.7 million due to favorable vehicle content mix. Sales to Mitsubishi Motor Manufacturing of America, Inc. were $2.9 million compared to $2.2 million due to higher vehicle production volumes and increased product content. Sales to Ford Motor Company were $13.4 million compared to $15.6 million due to price reductions, discontinued models and lower levels of vehicle production. Sales to General Motors Corporation were $16.1 million compared to $22.2 million due to a combination of price reductions, discontinued models and lower levels of production on General Motors full-sized SUV's. These reduced production levels were due to the change-over to new models and inventory balancing on certain other vehicles. Sales to Delphi Corporation were $13.3 million compared to $14.8 million due to pre-programmed price reductions and lower levels of production.

Gross profit as a percentage of net sales was 20.8 percent in the current period compared to 23.9 percent in the prior year period. The decline is primarily attributed to lower production volumes, higher purchased material costs for brass, zinc and magnesium and a less favorable Mexican peso to U.S. dollar exchange rate affecting our Mexico operations. The average zinc price per pound increased to $0.71 in the current period compared to $0.58 in the prior year period. During the current period an average of approximately 790,000 pounds of zinc was used per month. This resulted in increased zinc costs of approximately $615,000. The average brass price per pound increased to $2.38 in the current period from $1.89 in the prior year period. During the current period an average of approximately 110,000 pounds of brass was used per month. This resulted in increased brass costs of approximately $325,000. Increased magnesium costs resulted in increased purchased component costs of approximately $200,000 in the current period. The inflation rate in Mexico for the 12 months ended December 2005 was approximately 3 percent and increased costs approximately $275,000. The U.S. dollar/Mexican peso exchange rate decreased to approximately 10.6 pesos to the dollar in the current period from approximately 11.4 pesos to the dollar in the prior year period. This resulted in increased costs related to our Mexican operations of approximately $645,000.

Engineering, selling and administrative expenses were $10.8 million in the current period compared to $10.0 million in the prior year period. The increased expenses are primarily the result of recognizing stock based compensation expense and increased engineering development costs. At the beginning of the current fiscal year, we adopted Statement of Financial Accounting Standards ('SFAS'), No. 123(R), "Share Based Payments," to recognize stock-based compensation expense in our financial statements. Compensation expense of $560,000 was recognized during the current period in connection with adoption of SFAS 123(R). Prior to adoption, no stock-based compensation expense was reflected in the statement of income.

The provision for bad debts of $3.2 million in the current period is a charge to increase our allowance for uncollectible trade accounts receivable. This increase is in connection with the filing for Chapter 11 bankruptcy protection by Delphi Corporation on October 8, 2005. The $3.2 million represents the amount of our accounts receivable balance due from Delphi which we believe could be uncollectible.

Income from operations decreased to $4.3 million in the current period from $12.2 million in the prior year period. The decrease is primarily the result of the increase in the provision for bad debts and the decline in net sales and gross margin as discussed above.

The effective income tax rate for the current period was 21.0 percent compared to 37.0 percent in the prior year period. The current period income tax provision includes a state refund claim recovery. The claim recovery, net of the federal income tax impact, was $595,000. The current period also includes a favorable foreign tax adjustment related to the operation of our Mexican subsidiaries of $296,000

Liquidity and Capital Resources

Cash flow generated from operating activities was $2.2 million during the six months ended January 1, 2006 compared to $1.1 million during the six months ended December 26, 2004. Contributions to the qualified pension fund totaled $6 million in the current year period compared to $8 million in the prior year period. Approximately $3.2 million of trade accounts receivable was not collected during the current period due to the filing for Chapter 11 bankruptcy protection by Delphi Corporation. This was mostly offset by accelerating payment terms with Delphi Corporation for all shipments subsequent to the bankruptcy filing.

The decrease in the trade accounts receivable balance during the current period is the result of reduced sales and accelerated payment terms with Delphi Corporation for all shipments subsequent to the bankruptcy filing. The receivable from Delphi Corporation totaled $860,000 at January 1, 2006, after consideration of the $3.2 million increase in the allowance for uncollectible trade accounts receivable. The receivable from Delphi Corporation totaled $3.6 million at July 3, 2005.

The LIFO inventory balance increased slightly during the current period compared to an increase of $2.7 million during the prior year period. The LIFO inventory balances at the beginning of the current period had increased due to the build-up of inventory banks in preparation for a potential strike by unionized associates at our Milwaukee facility. The contract with the unionized associates expired June 26, 2005. A new contract was ratified without a work interruption and is effective through June 29, 2008. The relatively large inventory banks that were in place at the beginning of the current fiscal year required a smaller build-up of additional inventory in support of production shipment requirements related to new model year launches as compared to the prior year period.

Capital expenditures during the six months ended January 1, 2006, were $3.8 million compared to $2.0 million during the six months ended December 26, 2004. We anticipate that capital expenditures will be approximately $7 million in fiscal 2006, primarily in support of requirements for new product programs and the upgrade and replacement of existing equipment.

Our Board of Directors has authorized a stock repurchase program to buy back up to 3,439,395 outstanding shares of our common stock. A total of 3,151,087 shares have been repurchased as of January 1, 2006, at a cost of approximately $117.9 million. No shares were purchased during the quarter ended January 1, 2006. During the six months ended January 1, 2006, 23,595 shares were repurchased at a cost of approximately $1.2 million. Funding for the repurchases was provided by cash flow from operations. Additional repurchases may occur from time to time and are expected to be funded by cash flow from operations.

We have a $50.0 million unsecured line of credit (the "Line of Credit"), which expires October 31, 2006. There were no outstanding borrowings under the Line of Credit at January 1, 2006 or December 26, 2004. Interest on borrowings under the Line of Credit are 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 cash flow from operations, to meet our anticipated capital expenditure, working capital and operating expenditure requirements.

We have not been significantly impacted by inflationary pressures over the last several years, except for rising health care costs which have increased our cost of employee medical coverage, fluctuations in the market price of zinc, brass and magnesium and inflation in Mexico, which impacts the U.S. dollar costs of the Mexican operations. We do not hedge the Mexican peso exposure.

Joint Ventures

On November 28, 2000, we signed certain Alliance Agreements with E. WITTE Verwaltungsgesellschaft GmbH, and its operating unit, WITTE-Velbert GmbH & Co. KG ("WITTE"). WITTE, of Velbert, Germany, is a privately held, QS 9000 and VDA 6.1 certified 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. The WITTE-STRATTEC Alliance provides a set of cross-licensing agreements for the manufacture, distribution and sale of WITTE products by STRATTEC in North America, and the manufacture, distribution and sale of our products by WITTE in Europe. Additionally, a joint venture company ("WITTE-STRATTEC LLC") - in which each company originally held a 50 percent interest - was established to seek opportunities to manufacture and sell both companies' products in areas of the world outside of North America and Europe. The November 28, 2000 Alliance Agreements were replaced with new agreements as of July 12, 2005 which extended the term of the original agreements, and included certain modifications to their provisions.

In November 2001, WITTE-STRATTEC do Brasil, a joint venture formed between WITTE-STRATTEC LLC and Ifer Estamparia e Ferramentaria Ltda. was formed to service customers in South America. On March 1, 2002, WITTE-STRATTEC China was formed and in April 2004, WITTE-STRATTEC Great Shanghai Co. was formed. WITTE-STRATTEC China and WITTE-STRATTEC Great Shanghai Co. are joint ventures between WITTE-STRATTEC LLC and a unit of Elitech Technology Co. Ltd. of Taiwan and are the base of operations to service our automotive customers in the Asian market.

Effective January 1, 2006, agreements were signed among WITTE, STRATTEC and ADAC Plastics, Inc. ("ADAC") making ADAC a member of the Alliance and WITTE-STRATTEC LLC. ADAC manufactures engineered products, including door handles and other automotive trim parts, utilizing plastic injection molding, automated painting and various assembly processes. Moreover, the name of WITTE-STRATTEC LLC was subsequently changed to Vehicle Access Systems Technologies LLC ("VAST LLC"). WITTE and STRATTEC each hold a 40 percent interest and ADAC holds a 20 percent interest in VAST LLC.

The investments are accounted for using the equity method of accounting. The activities related to the joint ventures resulted in a gain of approximately $117,000 in the six months ended January 1, 2006 and a loss of approximately $55,000 in the six months ended December 26, 2004.

Critical Accounting Policies

We believe the following represent our critical accounting policies:

Pension and Post-Retirement Health Benefits - The determination of the obligation and expense for pension and post-retirement 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 of the 2005 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. In accordance with accounting principles generally accepted in the United States of America, actual results that differ from these assumptions are accumulated and 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 the pension and post-retirement 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. We believe such reserves 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. In addition, judgment is also required in estimating the amount of share based awards that are expected to be forfeited. If actual results differ significantly from these estimates, stock based compensation expense and our results of operations could be materially impacted.

Risk Factors

We understand 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, DaimlerChrysler Corporation and Delphi Corporation represent approximately 82 percent of our annual sales. 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. 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 have a material adverse effect on our existing and future revenues and net income.

Our major customers also have significant underfunded legacy liabilities related to pension and post-retirement 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) may have a significant impact on our future sales and collectibility risks. For example, on October 8, 2005, Delphi Corporation filed for Chapter 11 bankruptcy protection. As a result, we increased our allowance for uncollectible trade accounts receivable by $3.2 million during our quarter ended October 2, 2005. This directly reduced our pre-tax net income for that period.

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 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 could adversely impact our revenues and net income. We typically experience decreased revenue 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 both 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 the availability of these materials as well as significant fluctuations in the market prices of these materials may have an adverse affect on our financial results.

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 the United Auto Workers led to a shut-down of most of General Motors Corporation's North American assembly plants in June and July of 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 29, 2008. 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 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 us 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 revenues 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 revenues 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 revenues 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 have a material adverse effect on our financial results.

Item 3 Quantitative and Qualitative Disclosures About Market Risk

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. We have been in an investment position since this time and expect to remain in an investment position for the foreseeable future. There is therefore no significant exposure to market risk for changes in interest rates.

We are subject to foreign currency exchange rate exposure related to the U.S. dollar costs of our Mexican operations.

Item 4 Controls and Procedures

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 the Chief Executive Officer and Chief Financial Officer, of our 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, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of such period, our disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in reports that we file with or submit to the Securities and Exchange 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 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 and, based on the evaluation described above, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at reaching that level of reasonable assurance.

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 2 Unregistered Sales of Equity Securities and Use of Proceeds - None

Item 3 Defaults Upon Senior Securities - None

Item 4 Submission of Matters to a Vote of Security Holders -

At our Annual Meeting held on October 4, 2005, the shareholders voted to elect Michael J. Koss as a director for a term to expire in 2008. The number of votes cast for and withheld in the election were 3,299,490 and 142,320, respectively. Directors whose term continued after the meeting include Harold M. Stratton and Robert Feitler each with a term expiring in 2006 and Frank J. Krejci with a term expiring in 2007.

The shareholders also voted to approve an amendment to the STRATTEC SECURITY CORPORATION Stock Incentive Plan to allow for the annual grant of up to 10,000 shares of restricted stock under the terms of the Stock Incentive Plan, to reduce the number of leveraged stock options (LSOs) that may be granted in any year from 80,000 to 40,000 and to increase the number of shares of Common Stock authorized for issuance under the Stock Incentive Plan from 1,600,000 to 1,700,000. The number of votes cast for, against and abstained in the approval of the amendment were 2,542,627, 449,537 and 449,646, respectively.

Item 5 Other Information - None

Item 6 Exhibits

(a) Exhibits

- 3.1[(1)] Amended and Restated Articles of Incorporation of the Company
- 3.2[(2)] By-Laws of the Company
- 10.1 STRATTEC SECURITY CORPORATION Supplemental Executive Retirement Plan
- 10.2[(2)] STRATTEC SECURITY CORPORATION Stock Incentive Plan
- 10.3[(2)] Form of Restricted Stock Grant Agreement
- 10.4[(2)] Amended STRATTEC SECURITY CORPORATION Economic Value Added Bonus Plan for Executive Officers and Senior Managers
- 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 [(3)] 18 U.S.C. Section 1350 Certifications

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

(2) Incorporated by reference from the Form 8-K filed on October 7, 2005.

(3) 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: February 7, 2006 By /s/ Patrick J. Hansen

Patrick J. Hansen
Senior Vice President,
Chief Financial Officer,
Treasurer and Secretary
(Principal Accounting and Financial Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Harold M. Stratton II, Chief Executive Officer of STRATTEC SECURITY CORPORATION, certify that:

1. I have reviewed this quarterly report on Form 10-Q of STRATTEC SECURITY CORPORATION;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 7, 2006

/s/ Harold M. Stratton II
Harold M. Stratton II,
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Patrick J. Hansen, Chief Financial Officer of STRATTEC SECURITY CORPORATION, certify that:

1. I have reviewed this quarterly report on Form 10-Q of STRATTEC SECURITY CORPORATION;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 7, 2006

/s/ Patrick J. Hansen
Patrick J. Hansen,
Chief Financial Officer

Exhibit 32

Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of STRATTEC SECURITY CORPORATION (the "Company") certifies that the Quarterly Report on Form 10-Q of the Company for the quarter ended January 1, 2006 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 7, 2006
/s/ Harold M. Stratton II

Harold M. Stratton II,
Chief Executive Officer

Dated: February 7, 2006

/s/ Patrick J. Hansen
Patrick J. Hansen,
Chief Financial Officer

This certification is made solely for purpose of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.

Exhibit 10.1

STRATTEC SECURITY CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Amended effective January 1, 2005

STRATTEC SECURITY CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

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INTRODUCTION

Effective February 27, 1995, STRATTEC SECURITY CORPORATION (the "Company") adopted a nonqualified deferred compensation plan to benefit certain of its management and highly compensated employees.

This introduction and the following Articles, as amended from time to time, comprise the Plan.

STRATTEC SECURITY CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

ARTICLE 1

Establishment of Plan and Purpose

1.01 **Establishment of Plan**. STRATTEC SECURITY CORPORATION hereby establishes the "STRATTEC SECURITY CORPORATION Supplemental Executive Retirement Plan" effective as of February 27, 1995 (the "Plan"). The Plan is amended and restated effective January 1, 2005.

1.02 **Purpose of Plan**. The Plan shall provide a select group of management and highly compensated employees with an enhanced retirement benefit. By allowing key management or highly compensated employees to participate in the Plan, the Company expects the Plan to benefit it in attracting and retaining the most capable individuals to fill its executive positions.

The parties intend that the arrangements described herein be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended from time to time.

ARTICLE 2

Definitions and Construction

As used in this Plan, the following words shall have the following meanings:

2.01 Definitions.

(a) Accrued Benefit. The amount determined under Article 4, payable at age 65 as a Single-Life Annuity.

(b) Actuarial (or Actuarially) Equivalent. The same factors and assumptions used to determine actuarially equivalent benefits under the STRATTEC SECURITY CORPORATION Retirement Plan.

(c) Administrator/Administrative Committee. The person or persons listed in Article 8 below to control and manage the operation and administration of the Plan.

(d) Average Monthly Compensation. A Participant's Average Monthly Compensation as defined under the STRATTEC SECURITY CORPORATION Retirement Plan, incorporated herein by reference, but without regard to the dollar compensation limit under Code section 401(a)(17).

(e) Beneficiaries. The spouse or descendants of a Participant or any other person receiving benefits hereunder in relation to a Participant.

(f) Change of Control. Change of Control as defined in Article 7, section 7.01.

(g) Code. The Internal Revenue Code of 1986, as amended from time to time, and as interpreted by applicable regulations and rulings.

(h) Company. STRATTEC SECURITY CORPORATION and any successor which adopts the Plan. The Compensation Committee or such other board members authorized by the board of directors from time to time, shall act on behalf of the Company for purposes of the Plan.

(i) Compensation Committee. The Compensation Committee of the board of directors of the Company.

(j) Credited Service. With respect to Harold M. Stratton II, years of Credited Service shall be calculated based on his employment by Briggs & Stratton Corporation and STRATTEC SECURITY CORPORATION in accordance with section 3.3 of the STRATTEC SECURITY CORPORATION Retirement Plan, incorporated herein by reference. All other Participants shall accrue years of Credited Service under this Plan based only on employment by STRATTEC SECURITY CORPORATION beginning on the date the Participant commences participation in this Plan, but otherwise consistent with the calculation of Credited Service under section 3.3 of the STRATTEC SECURITY CORPORATION Retirement Plan.

(k) Disability. Disability shall mean that the Participant: (1) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (2) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period not less than three months under an accident and health plan covering employees of the Company.

(l) Effective Date. The effective date of this Plan shall be February 27, 1995.

(m) Eligibility Date. The date an individual is eligible to participate in this Plan, as defined in Article 3, section 3.2.

(n) Eligible Spouse. The husband or wife of a Participant who is married to the Participant on the date benefits under this Plan commence. However, if the Participant shall die prior to the date payments under the Plan would have commenced to him, then the Eligible Spouse shall be the husband or wife to whom the Participant is married on the date of the Participant's death.

(o) Employee. An employee of the Company.

(p) Leave of Absence. The definition as provided in Article 6, section 6.02.

(q) Participants. Such management and highly compensated Employees whom the Company identifies as eligible to participate in the Plan. Effective February 27, 1995, the Participants shall be the Company's Executive

Officers: Harold M. Stratton II; John G. Cahill; Michael R. Elliot; Andrew G. Lechtenberg; and Gerald L. Peebles.

(r) Participation Date. The first date that an individual participates in this Plan, as defined in Article 3, section 3.02.

(s) Plan. The STRATTEC SECURITY CORPORATION Supplemental Executive Retirement Plan, as stated herein and as amended from time to time.

(t) Plan Year. The initial Plan Year is the period beginning February 27, 1995 and ending December 31, 1995. Subsequent Plan Years are the 12-month periods ending each December 31.

(u) Separation of Employment. The date that determines when benefits may be paid under this Plan, as provided in Article 6, section 6.02.

2.02 **Construction**. The Plan is subject to federal law, including the requirements of Code section 409A, the proposed regulations for Code section 409A and other guidance provided by the Internal Revenue Service. For purposes of state law, the Plan shall be construed under the laws of the State of Wisconsin. Words used in the masculine gender shall include the feminine and words used in the singular shall include the plural, as appropriate. The words "hereof," "herein," "hereunder" and other similar compounds of the word "here" shall refer to the entire Agreement, not to a particular section. All references to statutory sections shall include the section so identified as amended from time to time or any other statute of similar import. If any provisions of the Internal Revenue Code, Employee Retirement Income Security Act or other statutes or regulations render any provisions of this Plan unenforceable, such provision shall be of no force and effect only to the minimum extent required by such law.

ARTICLE 3

Eligibility

3.01 **__Conditions of Eligibility__**. Those individuals named in section 2.01(k) and any other management and highly compensated Employees selected by the Compensation Committee of the Board of Directors of the Company, from time to time, shall be eligible to participate in this Plan.

3.02 **__Commencement of Participation__**. The Compensation Committee shall determine the date that an individual is eligible to participate in the Plan (the "Eligibility Date"). The individual shall become a Participant in the Plan 31 days after his Eligibility Date (the "Participation Date").

3.03 **__Initial Election__**. A new Participant must complete a written election specifying the form of distribution that he or she wishes to receive under this Plan. The forms of distribution are listed in Article 6, section 6.01. The Participant must complete the written election within 30 days after the Participant's Eligibility Date. If no election is completed, the Participant shall be deemed to have elected a lump sum distribution.

3.04 **__Subsequent Election__**. If a Participant decides to change the form of distribution that he or she will receive, the Participant may make a subsequent election, subject to the following requirements:

(a) The Participant's subsequent election may not take effect until 12 months after the date the election is made and must be made at least 12 months prior to the date that the first amount was scheduled to be paid; and

(b) The payment with respect to the election must be deferred for a period of five years from the date the first amount was scheduled to be paid, subject to the exception in (c) below.

(c) If the distribution to or on behalf of the Participant is made due to the Participant's Disability or death, the five-year deferral period does not apply.

3.05 **__Termination of Participation__**. An individual's right to participate in the Plan shall cease as of the earlier of the termination of his Employment or action by the Compensation Committee removing him from the Employees eligible to participate in the Plan. A former Participant of the Plan shall receive no benefits under this Plan unless such former Participant is vested pursuant to Article 5 of the Plan.

ARTICLE 4

Amount of Benefit

4.01 **Supplemental Retirement Pension**. A Participant's Accrued Benefit shall equal the sum of (a) and (b) below:

(a) .5% of the Participant's Average Monthly Compensation multiplied by his years of Credited Service with the Company, and

(b) 1.6% of the portion of the Participant's Average Monthly Compensation in excess of the Participant's Average Monthly Compensation computed in accordance with the dollar compensation limit under Code section 401(a)(17) applicable to the STRATTEC SECURITY CORPORATION Retirement Plan, multiplied by his years of Credited Service.

The Accrued Benefit shall be determined as of the date of the Participant's Separation of Service or, if earlier, the date the Participant is no longer eligible for the Plan.

4.02 **Code Section 415 Limits**. The Participant may receive an additional amount under this Plan to the extent that the limits under Code section 415(b) restrict the benefits payable to a Participant under the STRATTEC SECURITY CORPORATION Retirement Plan. The amount, if any, shall be calculated as of the date the Participant's Supplemental Retirement Pension is calculated in section 4.01 above. The Participant shall receive an additional monthly benefit from this Plan of an amount equal to the amount the Participant would have received under the STRATTEC SECURITY CORPORATION Retirement Plan if not for the limits of Code section 415(b).

4.03 **Limit on Benefits**. Notwithstanding the foregoing, no Participant's benefit under this Plan, when combined with his benefit under the STRATTEC SECURITY CORPORATION Retirement Plan, shall exceed 70% of the Participant's Average Monthly Compensation.

ARTICLE 5

Vesting

A Participant shall become fully vested in his or her Plan benefits at the time the Participant is vested under the STRATTEC SECURITY CORPORATION Retirement Plan.

ARTICLE 6

Distributions

6.01 **Distribution Options**. A Participant may elect to receive his or her Supplemental Retirement Benefits in one of the payment options listed below. Each option shall be determined so that the value of the option is the Actuarial Equivalent of a Participant's Accrued Benefit.

(a) Single Life Annuity. The Single Life Annuity provides a monthly payment amount for the Participant's lifetime.

(b) 50% Joint and Survivor Annuity. Under a 50% Joint and Survivor Pension, a reduced amount is paid to the Participant for his or her lifetime. Thereafter, the Participant's Eligible Spouse, if surviving, receives a lifetime survivorship Pension in a monthly amount equal to 50% of the reduced monthly amount which had been payable to the Participant. The last payment of the 50% Joint and Survivor Pension shall be made as of the first day of the month in which the death of the survivor occurs.

(c) 100% Joint and Survivor Annuity. A Participant may elect to receive a reduced Pension payable during the joint lives of the Participant and the Participant's Eligible Spouse so that, following the death of the Participant, payment of the Pension in an amount equal to 100% of the Participant's reduced Pension (as elected by the Participant) shall continue to the Eligible Spouse, if surviving, with the last payment to be made as of the first day of the month in which the death of the Eligible Spouse occurs.

(d) Ten-Year Certain and Life Option. A Participant may elect to receive a reduced Pension payable until death, and if the Participant's death occurs before the Pension has been paid for 10 years, payment of the pension will be made in such reduced amount to the person or persons designated by the Participant for the balance of the 10-year period.

(e) Lump Sum Payment. A Participant may elect payment of the Supplemental Retirement Benefit in one lump sum.

6.02 **Payment of Options.**

(a) Payment Schedule. The Plan will provide a lump sum payment or begin the first annuity or installment payment the first business day following the date that is six months after the date of the Participant's Separation from Service. Annuity or installment payments shall continue to be made, as provided in section 6.01, on the first business day of each month.

(b) Separation from Service. Separation of Service means the earliest of the following dates: The date that the Participant terminates employment with the Company, dies or is Disabled. The Administrative Committee shall determine the date that a Participant is Disabled as provided in Article 8, section 8.02. A Participant who is on a Leave of Absence does not have a Separation of Employment. A Leave of Absence means that the Participant is on a sick leave, military leave or other bona fide leave of absence (such as temporary employment by the government) if the period of the leave does not exceed six months. If the leave is longer, the Participant's right to reemployment with the Company must be provided by statute or contract.

Article 7

Acceleration of Payments

7.01 **Acceleration of Payments**. Payments under the Plan may be accelerated as provided below:

(a) Dissolution or Bankruptcy. The Compensation Committee has the discretion to terminate the Plan within 12 months of a corporate dissolution taxed under Code section 331 or with the approval of a bankruptcy court pursuant to 11 U.S.C. section 503(b)(1)(A), provided that amounts payable under this Plan will be included in the Participant's gross income the latest of the calendar year in which the bankruptcy occurs, the calendar year in which the amount is no longer subject to a substantial risk of forfeiture or the first calendar year in which payment is administratively feasible.

(b) Change in Control. The Compensation Committee has the discretion to terminate the Plan within the 30 days preceding or the 12 months following a change in control event (as defined in prop. regs. 1.409A-2(g)(4)(i)). The Plan will be treated as terminated only if all substantially similar arrangements sponsored by the Company are terminated, so that the Participants under this Plan and the Employees under any substantially similar agreements are required to receive all amounts of compensation deferred under the terminated arrangements within 12 months of the termination date.

(c) Plan Termination. The Compensation Committee may terminate the Plan provided that:

(i) All arrangements sponsored by the Company that would be aggregated with this Plan under prop. regs. 1.409A-1(c) if the same Participant participated in all of the arrangements are terminated;

(ii) No payments other than payments that would be payable under the terms of the arrangements if the termination had not occurred are made within 12 months of the termination of the arrangements;

(iii) All payments are made within 24 months of the termination of the arrangements;

(iv) The Company does not adopt a new arrangement that would be aggregated with the terminated arrangement if the same Participant participated in both arrangements, at any time within five years following the date of termination of the Plan; and

(v) Such other events and conditions as the Commissioner of Revenue may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

ARTICLE 8

Administration of the Plan

8.01 **<u>Appointment of Separate Administrative Committee</u>**. The Chief Executive Officer and Chief Financial Officer shall serve as the Administrative Committee. The Compensation Committee of the Company's Board of Directors may name additional people to the Administrative Committee. Any person, including, but not limited to, Employees, shall be eligible to serve on the Administrative Committee. Persons serving on the Administrative Committee may resign by giving written notice to the Company and the Company may appoint or remove such persons. An Administrative Committee consisting of more than one person shall act by a majority of its members at the time in office, either by vote at a meeting or in writing without a meeting. An Administrative Committee consisting of more than one person may authorize any one or more of its members to execute any document or documents on behalf of the Administrative Committee, in which event the Administrative Committee shall notify the Company of the member or members so designated. The Company shall accept and rely upon any document executed by such member or members as representing action by the Administrative Committee until the Administrative Committee shall file with the Company a written revocation of such designation. No person serving as Administrative Committee shall vote or decide upon any matter relating solely to himself or solely to any of his rights or benefits pursuant to the Plan.

8.02 **<u>Powers and Duties</u>**. The Administrative Committee shall administer the Plan in accordance with its terms. The Administrative Committee shall have full and complete authority and control with respect to Plan operations and administration unless the Administrative Committee allocates and delegates such authority or control pursuant to the procedures stated in subsection (b) or (c) below. Any decisions of the Administrative Committee or its delegate shall be final and binding upon all persons dealing with the Plan or claiming any benefit under the Plan. The Administrative Committee shall have all powers which are necessary to manage and control Plan operations and administration including, but not limited to, the following:

(a) To employ such accountants, counsel or other persons as it deems necessary or desirable in connection with Plan administration. The Company shall bear the costs of such services and other administrative expenses.

(b) To designate in writing persons other than the Administrative Committee to perform any of its powers and duties hereunder.

(c) To allocate in writing any of its powers and duties hereunder to those persons who have been designated to perform Plan fiduciary responsibilities.

(d) The discretionary authority to construe and interpret the Plan, including the power to construe disputed provisions.

(e) To resolve all questions arising in the administration, interpretation and application of the Plan, including, but not limited to, questions as to the eligibility or the right of any person to a benefit.

(f) To adopt such rules, regulations, forms and procedures from time to time as it deems advisable and appropriate in the proper administration of the Plan.

(g) To prescribe procedures to be followed by any person in applying for distributions pursuant to the Plan and to designate the forms or documents, evidence and such other information as the Administrative Committee may reasonably deem necessary, desirable or convenient to support an application for such distribution.

(h) To apply consistently and uniformly rules, regulations and determinations to all Participants and beneficiaries in similar circumstances.

(i) To determine whether is Participant is Disabled. The Administrative Committee may determine that a Participant is Disabled if the Participant is determined to be totally disabled by the Social Security Administration. The Administrative Committee may also determine that the Equity Principal is Disabled in accordance with a disability insurance program, provided that the definition of disability applied under that program complies with the definition of Disability provided under this Plan.

8.03 **Records and Notices**. The Administrative Committee shall keep a record of all its proceedings and acts and shall maintain all such books of accounts, records and other data as may be necessary for proper Plan administration. The Administrative Committee shall notify the Company of any action taken by the Administrative Committee which affects the obligations or rights of the Company or a Participant and, when required, shall notify any other interested parties.

8.04 **Compensation and Expenses**. The expenses incurred by the Administrative Committee in the proper administration of the Plan shall be paid by the Company. An Administrative Committee member who is an Employee shall not receive any additional fee or compensation for services rendered as a member of the Administrative Committee.

8.05 **Limitation of Authority**. The Administrative Committee shall not add to, subtract from or modify any of the terms of the Plan, change or add to any benefits prescribed by the Plan, or waive or fail to apply any Plan requirement for benefit eligibility.

ARTICLE 9

General Provisions

9.01 **Assignment**. No Participant or Beneficiary may sell, assign, transfer, encumber or otherwise dispose of the right to receive payments hereunder. A Participant's rights to benefit payments under the Plan are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors of the Participant or the Participant's beneficiary.

9.02 **Employment Not Guaranteed by Plan**. The establishment of this Plan, its amendments and the granting of a benefit pursuant to the Plan shall not give any Participant the right to continued Employment or limit the right of the Company to dismiss or impose penalties upon the Participant or modify the terms of employment of any Participant.

9.03 **Termination and Amendment**. The Compensation Committee of the Board of Directors of the Company may at any time and from time to time terminate, suspend, alter or amend this Plan and no Participant or any other person shall have any right, title, interest or claim against the Company, its directors, officers or employees for any amounts.

9.04 **Contingency**. The Company may apply for private rulings from the United States Department of Labor as to the exemption of the arrangement described herein from the reporting and disclosure requirements of ERISA and from the Internal Revenue Service as to the deductibility from taxable income of benefits paid hereunder or the exclusion of amounts deferred hereunder from the taxable income of Participant until paid. If the Company applies for a private letter ruling from the Department of Labor or Internal Revenue Service and does not receive a satisfactory reply thereto, the Company may deem this Plan terminated, in which event, the parties shall treat all amounts deferred hereunder as immediately payable to the Participants and all parties' rights and obligations hereunder shall thereupon cease.

9.05 **Notice**. Any and all notices, designations or reports provided for herein shall be in writing and delivered personally or by registered or certified mail, return receipt requested, addressed, in the case of the Company, its Board of Directors or Administrative Committee, to the Company's principal business office and, in the case of a Participant or Beneficiary, to his home address as shown on the records of the Company.

9.06 **Limitation on Liability**. In no event shall the Company, the Administrative Committee, the Compensation Committee of the Board of Directors of the Company or any Employee, officer or director of the Company incur any liability for any act or failure to act unless such act or failure to act constitutes a lack of good faith, willful misconduct or gross negligence with respect to the Plan.

9.07 **Indemnification**. The Company shall indemnify the Administrative Committee, the Compensation Committee of the Board of Directors of the Company and any Employee, officer or director of the Company against all liabilities arising by reason of any act or failure to act unless such act or failure to act is due to such person's own gross negligence or willful misconduct or lack of good faith in the performance of his duties to the Plan. Such indemnification shall include, but not be limited to, expenses reasonably incurred in the defense of any claim, including attorney and legal fees, and amounts paid in any settlement or compromise; provided, however, that indemnification shall not occur to the extent that it is not permitted by applicable law. Indemnification shall not be deemed the exclusive remedy of any person entitled to indemnification pursuant to this section. The indemnification provided hereunder shall continue as to a person who has ceased acting as a director, officer, member, agent or Employee of the Administrative Committee or as an officer, director or Employee of the Company, and such person's rights shall inure to the benefit of his heirs and representatives.

9.08 **Headings**. All articles and section headings in this Plan are intended merely for convenience and shall in no way be deemed to modify or supplement the actual terms and provisions stated thereunder.

9.09 **Severability**. The Plan is subject to Code section 409A, has been amended in pursuant to proposed regulations issued by the Internal Revenue Service and is intended to be in good faith compliance with the requirements under Code section 409A. To the extent that the Compensation Committee determines that additional information or interpretation of the rules, final regulations or other guidance provided by the Internal Revenue Service require amendments to the Plan to comply with Code section 409A, the Compensation Committee shall amend the Plan accordingly. Any provision of this Plan prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof. The illegal or invalid provisions shall be fully severable and this Plan shall be construed and enforced as if the illegal or invalid provisions had never been inserted in this Plan.

9.10 **Contributions**. Upon a Change of Control, as defined in section 2.01(d) of this Plan, the Company shall, as soon as possible, but in no event later than 60 days following the Change of Control, make an irrevocable contribution to a trust funding the Plan in an amount that is sufficient to pay each Participant or Beneficiary the benefits to which Participants or Beneficiaries would be entitled pursuant to the terms of the Plan as of the date on which the Change of Control occurred. Such Trust assets shall be subject to the claims of the Company's creditors in the event of the Company's insolvency in order to prevent the Plan from being deemed "funded" for tax or ERISA purposes.

ARTICLE 10

Claims Procedure

10.1 **Application for Benefits**. Any person entitled to benefits must file a written claim with the Administrative Committee on forms provided by the Administrative Committee. Such application shall include all information and evidence the Administrative Committee deems necessary to properly evaluate the merit of and to make any necessary determinations on a claim for benefits. Unless special circumstances exist, a Participant shall be informed of the decision on his claim within 90 days of the date all the information and evidence necessary to process the claim is received. Within such 90-day period, he shall receive a notice of the decision or a notice that explains the special circumstances requiring a delay in the decision and sets a date, no later than 180 days after all the information and evidence necessary to process his claim have been received, by which he can expect to receive a decision.

The claimant may assume that the claim has been denied and may proceed to appeal the denial if the claimant does not receive any notice from the Administrative Committee within the 90-day period, or a notice of a delayed decision within such 90 day period.

10.2 **Notice of Denied Claim for Benefits**. If a claim for benefits is partially or wholly denied, the claimant will receive a notice that: states the specific reason or reasons for denial; refers to provisions of the Plan documents on which the denial is based; describes and explains the need for any additional material or information that the claimant must supply in order to make his claim valid; and explains the steps that must be taken to submit his claim for review.

10.3 **Review of Denied Claim**. A claimant may file a written appeal of a denied claim with the Administrative Committee within 60 days after receiving notice that his claim has been denied, including any comments, statements or documents he may wish to provide. The claimant may review all pertinent Plan documents upon reasonable request to the Administrative Committee. Within 60 days after the submission of the written appeal, the Administrative Committee shall render a determination on the appeal of the claim in a written statement. The written decision shall contain the reason or reasons for the decision and refer to specific Plan provisions on which the decision is based. If special circumstances require a delay in the decision, the Administrative Committee shall notify the claimant of the reasons for the delay within the 60-day period. A delayed decision shall be issued no later than 120 days after the date the Administrative Committee receives a request for review. The determination rendered by the Administrative Committee shall be binding upon all parties.