

STRATTEC SECURITY CORP

Form DEF 14A

August 30, 2007

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

☒ Filed by the Registrant

☐ Filed by a Party other than the Registrant

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to §240.14a-12

STRATTEC SECURITY CORPORATION
(Name of Registrant as Specified in Its Charter, if Other Than the Registrant)
Registrant
(Name of Person(s) Filing Proxy Statement)

Payment of filing fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**STRATTEC SECURITY CORPORATION
3333 WEST GOOD HOPE ROAD
MILWAUKEE, WISCONSIN 53209**

Notice of Annual Meeting of Shareholders

The Annual Meeting of Shareholders of STRATTEC SECURITY CORPORATION, a Wisconsin corporation (the Corporation or STRATTEC), will be held at the Radisson Hotel, 7065 North Port Washington Road, Milwaukee, Wisconsin 53217, on Tuesday, October 9, 2007, at 8:00 a.m. local time, for the following purposes:

1. To elect one director to serve for a three-year term.
2. To take action with respect to any other matters that may be properly brought before the meeting and that might be considered by the shareholders of a Wisconsin corporation at their Annual Meeting.

By order of the Board of Directors

PATRICK J. HANSEN,
Secretary

Milwaukee, Wisconsin
August 30, 2007

Shareholders of record at the close of business on August 21, 2007 are entitled to vote at the meeting. Your vote is important to ensure that a majority of the stock is represented. Please complete, sign and date the enclosed proxy card and return it promptly in the enclosed envelope whether or not you plan to attend the meeting in person. If you later find that you may be present at the meeting or for any other reason desire to revoke your proxy, you may do so at any time before it is voted.

**STRATTEC SECURITY CORPORATION
3333 WEST GOOD HOPE ROAD
MILWAUKEE, WISCONSIN 53209**

**Proxy Statement for the 2007 Annual Meeting of Shareholders
To Be Held On October 9, 2007**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of STRATTEC SECURITY CORPORATION of proxies, in the accompanying form, to be used at the Annual Meeting of Shareholders of the Corporation to be held on October 9, 2007 and any adjournments thereof. Only shareholders of record at the close of business on August 21, 2007 will be entitled to notice of and to vote at the meeting. There will be no presentation regarding our operations at the Annual Meeting of Shareholders. The only matters to be discussed are matters set forth in the Proxy Statement for the 2007 Annual Meeting of Shareholders and such other matters as are properly raised at the Annual Meeting.

The shares represented by each valid proxy received in time will be voted at the meeting and, if a choice is specified in the proxy, it will be voted in accordance with that specification. If no instructions are specified in a signed proxy returned to the Corporation, the shares represented thereby will be voted in **FAVOR** of the election of the director listed in the enclosed proxy card. If any other matters are properly presented at the Annual Meeting, including, among other things, consideration of a motion to adjourn the meeting to another time or place, the individuals named as proxies and acting thereunder will have the authority to vote on those matters according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote. If the Annual Meeting is adjourned or postponed, a proxy will remain valid and may be voted at the adjourned or postponed meeting. As of the date of printing of this Proxy Statement, we do not know of any other matters that are to be presented at the Annual Meeting other than the election of the director.

Shareholders may revoke proxies at any time to the extent they have not been exercised. The cost of solicitation of proxies will be borne by the Corporation. Solicitation will be made primarily by use of the mails; however, some solicitation may be made by our employees, without additional compensation therefor, by telephone, by facsimile or in person. Only shareholders of record at the close of business on August 21, 2007 will be entitled to notice of and to vote at the meeting. On the

record date, we had outstanding 3,548,585 shares of common stock \$0.01, par value per share (the Common Stock), entitled to one vote per share.

A majority of the votes entitled to be cast with respect to each matter submitted to the shareholders, represented either in person or by proxy, shall constitute a quorum with respect to such matter. Approval of each matter specified in the notice of the meeting requires the affirmative vote of a majority, or in the case of the election of the director a plurality, of the shares represented at the meeting. Abstentions and broker nonvotes (i.e., shares held by brokers in street name, voting on certain matters due to discretionary authority or instructions from the beneficial owners but not voting on other matters due to lack of authority to vote on such matters without instructions from the beneficial owner) will count toward the quorum requirement but will not count toward the determination of whether such director is elected or such matters in the notice of meeting are approved. The Inspector of Election appointed by the Board of Directors will count the votes and ballots.

Our principal executive offices are located at 3333 West Good Hope Road, Milwaukee, Wisconsin 53209. It is expected that this Proxy Statement and the form of Proxy will be mailed to shareholders on or about August 30, 2007.

PROPOSAL:

ELECTION OF DIRECTORS

It is intended that shares represented by proxies in the enclosed form will be voted for the election of the nominee in the following table to serve as a director. Our Board of Directors is divided into three classes, with the term of office of each class ending in successive years. One director is to be elected at the Annual Meeting to serve for a term of three years expiring in 2010 and four directors will continue to serve for the terms designated in the following schedule. As indicated below, the individual nominated by our Board of Directors is an incumbent director. We anticipate that the nominee listed in this Proxy Statement will be a candidate when the election is held. However, if for any reason the nominee is not a candidate at that time, proxies will be voted for any substitute nominee designated by the Corporation (except where a proxy withholds authority with respect to the election of the director).

Board of Directors Recommendation

The Board of Directors recommends that shareholders vote in FAVOR of the election of Frank J. Krejci as a director of STRATTEC.

Name, Principal Occupation for Past Five Years and Directorships	Age	Director Since
<i>Nominee for election at the Annual Meeting (Class of 2010):</i>		
FRANK J. KREJCI President of Wisconsin Furniture, LLC, d/b/a The Custom Shoppe (a manufacturer of custom furniture), since June 1996.	57	1995
<i>Incumbent Directors (Class of 2008)</i>		
MICHAEL J. KOSS President and Chief Executive Officer of Koss Corporation (manufacturer and marketer of high fidelity stereophones for the international consumer electronics market) since 1989. Director of Koss Corporation.	53	1995
DAVID R. ZIMMER Managing partner and co-founder of Stonebridge Equity LLC (a provider of consulting services primarily to automotive-related manufacturing businesses seeking to develop and complement growth plans, strategic partnerships with foreign companies and merger and acquisition strategies) since 2004. Chief Executive Officer of Twitchell Corporation (a multinational manufacturer of innovative fibers, textiles and coatings) from 2000 until 2003. Director of Twin Disc Inc. and Detrex Corporation.	61	2006
<i>Incumbent Directors (Class of 2009):</i>		
HAROLD M. STRATTON II Chairman, President and Chief Executive Officer of the Corporation since October 2004. Chairman and Chief Executive Officer of the Corporation from February 1999 to October 2004. President and Chief Executive Officer of the Corporation from February 1995 to February 1999. Director and a member of the Compensation Committee of Smith Investment Company and a director of Twin Disc Inc.	59	1994
ROBERT FEITLER Chairman of the Executive Committee of the Board of Directors of Weyco Group, Inc. (manufacturer, purchaser and distributor of men's footwear) since April 1996. Director of Weyco Group, Inc.	76	1995

DIRECTORS MEETINGS AND COMMITTEES

Our Board of Directors has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Our Board of Directors held five meetings in fiscal 2007, and all of our nominee and incumbent directors attended 100% of the meetings of our Board of Directors and the committees thereof on which they served.

Executive sessions or meetings of outside (non-management) directors without management present are held regularly for a general discussion of relevant subjects. In fiscal 2007, the outside directors met in executive session five times.

Audit Committee

The Board's Audit Committee is comprised of Messrs. Koss (Chairman), Feitler, Krejci and Zimmer. The Audit Committee is responsible for assisting our Board of Directors with oversight of (1) the integrity of our financial statements, (2) our compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence and (4) the performance of our internal accounting function and independent auditors. The Audit Committee has the direct authority and responsibility to select, evaluate and, where appropriate, replace the independent auditors, and is an audit committee for purposes of Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The Audit Committee held two meetings in fiscal 2007.

Compensation Committee

The Board's Compensation Committee is comprised of Messrs. Feitler (Chairman), Koss, Krejci and Zimmer. The Compensation Committee, in addition to such other duties as may be specified by the Board of Directors, reviews the compensation and benefits of our senior managers (including our Chief Executive Officer) and makes appropriate recommendations to the Board of Directors, and administers our Economic Value Added Plan for Executive Officers and Senior Managers and our Stock Incentive Plan. The Compensation Committee held two meetings during fiscal 2007.

Nominating and Corporate Governance Committee

The Board's Nominating and Corporate Governance Committee is comprised of Messrs. Krejci (Chairman), Koss, Feitler and Zimmer. The Nominating and Corporate Governance Committee is responsible for assisting the Board of Directors by identifying individuals qualified to become members of the Board of Directors and its committees, recommending to the Board of Directors nominees for the annual meeting of shareholders, developing and recommending to the Board of Directors a set of corporate governance principles applicable to the Corporation and assisting the Board of Directors in assessing director performance and the effectiveness of the Board of Directors. The Nominating and Corporate Governance Committee held one meeting in fiscal 2007.

CORPORATE GOVERNANCE MATTERS

Director Independence

Our Board of Directors has reviewed the independence of our continuing directors and nominee director at the 2007 Annual Meeting of Shareholders under the applicable standards of the Nasdaq Stock Market. Based on this review, the Board of Directors determined that each of the following directors is independent under those standards:

- | | |
|---------------------|---------------------|
| (1) Robert Feitler | (3) Michael J. Koss |
| (2) Frank J. Krejci | (4) David R. Zimmer |

Based on such standards, Harold M. Stratton II is the only director who is not independent because Mr. Stratton is our Chief Executive Officer.

Director Nominations

We have a standing Nominating and Corporate Governance Committee. We have placed a current copy of the charter of the Nominating and Corporate Governance Committee on our web site located at www.strattec.com. Based on the review described under Corporate Governance Matters Director Independence, our Board of Directors has determined that each member of the Nominating and Corporate Governance Committee is independent under the applicable standards of the Nasdaq Stock Market.

The Nominating and Corporate Governance Committee will consider director nominees recommended by shareholders. A shareholder who wishes to recommend a person or persons for consideration as a nominee for election to the Board of Directors must send a written notice by mail, c/o Secretary, STRATTEC SECURITY CORPORATION, 3333 West Good Hope Road, Milwaukee, Wisconsin 53209, that sets forth: (1) the name, address (business and residence), date of birth and principal occupation or employment (present and for the past five years) of each person whom the shareholder proposes to be considered as a nominee; (2) the number of shares of our Common Stock beneficially owned (as defined by section 13(d) of the Securities Exchange Act of 1934) by each such proposed nominee; (3) any other information regarding such proposed nominee that would be required to be disclosed in a definitive proxy statement to shareholders prepared in connection with an election of directors pursuant to section 14(a) of the Securities Exchange Act of 1934; and (4) the name and address (business and residential) of the shareholder making the recommendation and the number of shares of the Common Stock beneficially owned (as defined by section 13(d) of the Securities Exchange Act of 1934) by the shareholder making the recommendation. We may require any proposed nominee to furnish additional information as may be reasonably required to determine the qualifications of such proposed nominee to serve as a director of the Corporation. Shareholder recommendations will be considered only if received no less than 120 days nor more than 150 days before the date of the proxy statement sent to shareholders in connection with the previous fiscal year's annual meeting of shareholders.

The Nominating and Corporate Governance Committee will consider any nominee recommended by a shareholder in accordance with the preceding paragraph under the same criteria as any other potential nominee. The Nominating and Corporate Governance Committee believes that a

nominee recommended for a position on our Board of Directors must have an appropriate mix of director characteristics, experience, diverse perspectives and skills. Qualifications of a prospective nominee that may be considered by the Nominating and Corporate Governance Committee include:

personal integrity and high ethical character;

professional excellence;

accountability and responsiveness;

absence of conflicts of interest;

fresh intellectual perspectives and ideas; and

relevant expertise and experience and the ability to offer advice and guidance to management based on that expertise and experience.

Communications between Shareholders and the Board of Directors

Our shareholders may communicate with the Board or any individual director by directing such communication to our Secretary at the address of our corporate headquarters, 3333 West Good Hope Road, Milwaukee, Wisconsin 53209. Each such communication should indicate that the sender is a shareholder of the Corporation and that the sender is directing the communication to one or more individual directors or to the Board as a whole.

All communications will be compiled by our Secretary and submitted to the Board of Directors or the individual directors on a monthly basis unless such communications are considered, in the reasonable judgment of our Secretary, to be improper for submission to the intended recipient(s). Examples of shareholder communications that would be considered improper for submission include, without limitation, customer complaints, solicitations, communications that do not relate directly or indirectly to the Corporation or our business or communications that relate to improper or irrelevant topics. Our Secretary may also attempt to handle a communication directly where appropriate, such as where the communication is a request for information about the Corporation or where it is a stock-related matter.

Attendance of Directors at Annual Meetings of Shareholders

We expect that all of our directors and nominees for election as directors at an annual meeting of shareholders will attend the annual meeting, absent a valid reason, such as a schedule conflict. All of our directors attended the annual meeting of shareholders held on October 3, 2006.

Code of Business Ethics

We have adopted a Code of Business Ethics that applies to all of our employees, including our principal executive officer, principal financial officer and principal accounting officer. A copy of the Code of Business Ethics is available on our web site which is located at www.strattec.com. We also intend to disclose any amendments to, or waivers from, the Code of Business Ethics on our web site.

AUDIT COMMITTEE MATTERS

Report of the Audit Committee

The Audit Committee is comprised of four members of our Board of Directors. Based upon the review described above under Corporate Governance Matters Director Independence, the Board of Directors has determined that each member of the Audit Committee is independent as defined in the applicable standards of the Nasdaq Stock Market and the Securities and Exchange Commission. The duties and responsibilities of the Audit Committee are set forth in our Audit Committee Charter, which was amended and restated by the Board of Directors on August 19, 2005. The full text of the Audit Committee's amended and restated Charter is available on our web site at www.strattec.com.

The Audit Committee has:

reviewed and discussed our audited financial statements for the fiscal year ended July 1, 2007 with our management and with our independent auditors;

discussed with our independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as revised; and

received and discussed the written disclosures and the letter from our independent auditors required by Independence Standards Board Statement No. 1 (Independence discussions with Audit Committees).

Based on such review and discussions with management and with the independent auditors, the Audit Committee recommended to our Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended July 1, 2007, for filing with the Commission.

AUDIT COMMITTEE:

Michael J. Koss Chairman
Robert Feitler
Frank J. Krejci
David R. Zimmer

Fees of Independent Registered Public Accounting Firm

The following table summarizes the fees we were billed for audit and non-audit services rendered by our independent auditors, Grant Thornton LLP, during fiscal 2007 and 2006:

Service Type	Fiscal Year Ending July 1, 2007	Fiscal Year Ending July 2, 2006
Audit Fees(1)	\$ 129,000	\$ 115,700
Audit-Related Fees(2)	22,000	25,200
Tax Fees(3)	5,000	4,000
All Other Fees		
Total Fees Billed	\$ 156,000	\$ 144,900

- (1) Includes fees for professional services rendered in connection with the audit of our financial statements for the fiscal years ended July 1, 2007 and July 2, 2006; the reviews of the financial statements included in each of our quarterly reports on Form 10-Q during those fiscal years; and statutory and regulatory agency audits during those fiscal years.
- (2) Consists of fees for ERISA employee benefit plan audits and consultations for financial accounting matters, including conducting due diligence in connection therewith.
- (3) Consists of fees for the preparation of Form 5500 statutory tax returns.

The Audit Committee of our Board of Directors considered that the provision of the services and the payment of the fees described above are compatible with maintaining the independence of Grant Thornton LLP.

The Audit Committee is responsible for reviewing and pre-approving any non-audit services to be performed by our independent auditors. The Audit Committee has delegated certain of its pre-approval authority to the Chairman of the Audit Committee to act between meetings of the Audit Committee. Any pre-approval given by the Chairman of the Audit Committee pursuant to this delegation is presented to the full Audit Committee at its next regularly scheduled meeting. The Audit Committee or Chairman of the Audit Committee reviews and, if appropriate, approves non-audit service engagements, taking into account the proposed scope of the non-audit services, the proposed fees for the non-audit services, whether the non-audit services are permissible under applicable law or regulation and the likely impact of the non-audit services on the independence of the independent auditors.

Since the effective date of the Securities and Exchange Commission rules requiring pre-approval of non-audit services on May 6, 2003, each new engagement of our independent auditors to perform non-audit services has been approved in advance by the Audit Committee or the Chairman of the Audit Committee pursuant to the foregoing procedures.

Fiscal 2007 Independent Registered Public Accounting Firm

The Board of Directors, upon recommendation of the Audit Committee, will select our independent registered public accounting firm for the 2008 fiscal year. It is expected that a representative of Grant Thornton LLP will be present at the Annual Meeting and will have the opportunity to make a statement if such representative desires to do so and will be available to respond to appropriate questions.

Audit Committee Financial Expert

Our Board of Directors has determined that one of the members of the Audit Committee, Michael J. Koss, qualifies as an audit committee financial expert as defined by the rules of the Securities and Exchange Commission based on his work experience and duties as the Chief Financial Officer and Chief Executive Officer of Koss Corporation.

EXECUTIVE OFFICERS

The following table sets forth the name, age, current position and principal occupation and employment during the past five years of our executive officers who are not directors:

Name	Age	Current Position	Other Positions
Patrick J. Hansen	48	Senior Vice President of the Corporation since October 2005; Chief Financial Officer, Treasurer and Secretary of the Corporation since February 1999.	Vice President of the Corporation from February 1999 to October 2005; Corporate Controller of the Corporation from January 1995 to January 1999.
Milan R. Bundalo	56	Vice President Materials of the Corporation since May 2003.	Director of Materials of the Corporation from October 1995 to May 2003.
Donald J. Harrod	63	Vice President Engineering and Product of the Corporation since October 2005.	Vice President Engineering and Program Development of the Corporation From April 2003 to October 2005; Vice President Engineer of the Corporation from November 1998 to April 2003.
Kathryn E. Scherbarth	51	Vice President Milwaukee Operations of the Corporation since May 2003.	Plant Manager of the Corporation from February 1996 to May 2003.

Name	Age	Current Position	Other Positions
Rolando J. Guillot	39	Vice President Mexican Operations of the Corporation since September 2004.	General Manager Mexican Operations of the Corporation from September 2003 to August 2004. Plant Manager of STRATTEC de Mexico S.A. de C.V. from January 2002 to September 2003. Mr. Guillot served in various management positions for STRATTEC de Mexico S.A. de C.V. from October 1996 to January 2002.
Dennis A. Kazmierski	55	Vice President Marketing and Sales of the Corporation since March 1, 2005	Vice President Engineered Systems Group Business Unit for Metalforming Technologies Inc. from January 1999 to February 28, 2005.

SECURITY OWNERSHIP

The following table sets forth information regarding the beneficial ownership of shares of our common stock as of August 21, 2007 by (i) each director and named executive officer (as defined below), (ii) all directors and executive officers as a group, and (iii) each person or other entity known by us to beneficially own more than 5% of our outstanding common stock.

The following table is based on information supplied to us by the directors, officers and shareholders described above. We have determined beneficial ownership in accordance with the rules of the Securities and Exchange Commission. Shares of common stock subject to options that are either currently exercisable or exercisable within 60 days of August 21, 2007 are treated as outstanding and beneficially owned by the option holder for the purpose of computing the percentage ownership of the option holder. However, these shares are not treated as outstanding for the purpose of computing the percentage ownership of any other person. The table lists applicable percentage ownership based on 3,548,585 shares outstanding as of August 21, 2007.

Name and Address of Beneficial Owner(1)	Nature of Beneficial Ownership					
	Total	Percent	Sole Voting and Investment Power	Sole Voting or Investment Power	Shared Voting and Investment Power	Shared Voting or Investment Power
	Number of Shares Beneficially Owned(2)					
		of Class				Power Only(3)
FMR Corp.(4)	500,000	14.1%		500,000		
PRIMECAP Management Company(5)	400,437	11.3%	175,337	400,437		
Royce & Associates(6)	178,300	5.0%	178,300			
T. Rowe Price Associates, Inc.(7)	559,500	15.8%	59,300	559,500		
Vanguard Horizon Funds(8)	220,000	6.2%		220,000		
Robert Feitler	15,000	*	15,000			
Michael J. Koss	1,000	*	1,000			
Frank J. Krejci	440	*	440			
Harold M. Stratton II(9)	81,924	2.3%	24,142		32,270	22
David R. Zimmer	0	*				
Patrick J. Hansen	7,460	*	2,000			
Donald J. Harrod	6,940	*	1,600			
Dennis Kazmierski	11,200	*	1,200			
Rolando J. Guillot	3,910	*	1,600			
All directors and executive officers as a group (11 persons)	137,034	3.8%	50,182		32,270	22

* Less than 1%.

(1) Unless otherwise indicated in the other footnotes, the address for each person listed is 3333 West Good Hope Road, Milwaukee, Wisconsin 53209.

- (2) Includes the rights of the following persons to acquire shares pursuant to the exercise of currently vested stock options or pursuant to stock options exercisable within 60 days of August 21, 2007: Mr. Stratton 25,490 shares; Mr. Hansen 5,460 shares; Mr. Harrod 5,340 shares; Mr. Kazmierski 10,000; Mr. Guillot 2,310; and all directors and executive officers as a group 54,560 shares.
- (3) All shares are held in the Employee Savings and Investment Plan Trust.
- (4) FMR Corp. (FMR), 82 Devonshire Street, Boston, Massachusetts 02109, filed a Schedule 13G dated February 12, 1999, as amended by a Schedule 13G/A dated February 14, 2000, a Schedule 13G/A dated March 10, 2000, a Schedule 13G/A dated February 14, 2001, a Schedule 13G/A dated February 14, 2002, a Schedule 13G/A dated February 14, 2003, a Schedule 13G/A dated February 16, 2004, a Schedule 13G/A dated February 14, 2005, a Schedule 13G/A dated February 14, 2006 and a Schedule 13G/A dated February 14, 2007, reporting that as of December 31, 2006, it was the beneficial owner of 500,000 shares of Common Stock. The shares of Common Stock beneficially owned by FMR include 500,000 shares as to which FMR has sole investment power. Fidelity Management & Research Company (Fidelity), a wholly-owned subsidiary of FMR, is the beneficial owner of 500,000 shares as a result of acting as an investment adviser to various investment companies registered under the Investment Company Act of 1940. Fidelity's ownership of an investment company, the Fidelity Low Priced Stock Fund, comprised the entire 500,000 shares. Edward C. Johnson, the Chairman of FMR, by virtue of his position with FMR, has the sole power to direct the disposition of the shares deemed owned by Fidelity.
- (5) PRIMECAP Management Company (PRIMECAP), 225 South Lake Avenue, Suite 400, Pasadena, California 91101-3005, filed a Schedule 13G dated June 17, 1999, as amended by a Schedule 13G/A dated April 7, 2000, a Schedule 13G/A dated March 9, 2001, a Schedule 13G/A dated August 31, 2002, a Schedule 13G/A dated March 30, 2005, a Schedule 13G/A dated August 3, 2005, a Schedule 13G/A dated February 8, 2006 and a Schedule 13G/A dated February 9, 2007, reporting that as of December 31, 2006, it was the beneficial owner of 400,437 shares of Common Stock. The shares of Common Stock beneficially owned by PRIMECAP include 175,337 shares as to which PRIMECAP has sole voting power and 400,437 shares as to which PRIMECAP has sole investment power.
- (6) Royce & Associates, LLC, 1414 Avenue of the Americas, New York, New York 10019, filed a Schedule 13G dated February 5, 2003, as amended by a Schedule 13G/A dated March 28, 2003, a Schedule 13G/A dated February 6, 2004, a Schedule 13G/A dated March 8, 2004, a Schedule 13G/A dated February 3, 2005, a Schedule 13G/A dated January 31, 2006 and a Schedule 13G/A dated January 25, 2007, reporting that as of December 31, 2006, it was the beneficial owner of 178,300 shares of Common Stock, with sole voting and investment power as to all of such shares.
- (7) T. Rowe Price Associates, Inc. and on behalf of T. Rowe Price Small-Cap Stock Fund, Inc. and T. Rowe Price Small-Cap Value Fund, Inc. (collectively, T. Rowe Price), 100 East Pratt Street, Baltimore, Maryland 21202, filed a Schedule 13G/A dated February 9, 2000, as amended by a Schedule 13G/A dated April 7, 2000, a Schedule 13G/A dated February 12, 2001, a Schedule 13G/A dated February 14, 2002, a Schedule 13G/A dated February 14, 2003, a

Schedule 13G/A dated February 13, 2004, a Schedule 13G/A dated February 14, 2005, a Schedule 13G/A dated February 14, 2006 and a Schedule 13G/A dated February 14, 2007, reporting that T. Rowe Price was the beneficial owner of 559,500 shares of Common Stock. The shares of Common Stock beneficially owned by T. Rowe Price include 59,300 shares as to which T. Rowe Price has sole voting power and 559,500 shares as to which T. Rowe Price has sole investment power.

- (8) Vanguard Horizon Funds, 100 Vanguard Boulevard, Malvern, Pennsylvania 19355, filed a Schedule 13G dated February 13, 2002, as amended by a Schedule 13G/A dated February 11, 2003, a Schedule 13G/A dated February 3, 2004, a Schedule 13G/A dated February 11, 2005, a Schedule 13G/A dated February 13, 2006 and a Schedule 13G/A dated November 30, 2006, reporting that it was the beneficial owner of 220,000 shares of Common Stock, with sole voting power as to all of such shares.
- (9) Includes 10,100 shares held in trusts as to which Mr. Stratton is co-trustee and beneficiary, 169 shares owned by Mr. Stratton's spouse, 20,560 shares owned jointly by Mr. Stratton and his spouse, 938 shares as to which Mr. Stratton is custodian on behalf of his children, 1,441 shares held in trusts as to which Mr. Stratton is co-trustee and 22 shares held in the Employee Savings and Investment Plan Trust.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities, to file with the SEC initial reports of beneficial ownership on Form 3 and reports of changes in beneficial ownership of our equity securities on Form 4 or 5. The rules promulgated by the SEC under section 16(a) of the Exchange Act require those persons to furnish us with copies of all reports filed with the SEC pursuant to section 16(a). Based solely upon a review of such forms actually furnished to us, and written representations of certain of our directors and executive officers that no forms were required to be filed, all directors, executive officers and 10% shareholders have filed with the SEC on a timely basis all reports required to be filed under section 16(a) of the Exchange Act.

EXECUTIVE COMPENSATION