

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended July 2, 2023.

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 0-25150

STRATTEC SECURITY CORPORATION

(Exact name of registrant as specified in its charter)

Wisconsin

(State of Incorporation)

39-1804239

(I.R.S. Employer Identification No.)

3333 West Good Hope Road, Milwaukee, WI 53209

(Address of principal executive offices)

(414) 247-3333

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of exchange on which registered</u>
Common Stock, \$.01 par value	STRT	The NASDAQ Stock Market

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

None

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the Registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the Registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting Common Stock held by non-affiliates of the registrant as of December 30, 2022 (the last business day of the Registrant's most recently completed second quarter), was approximately \$77,501,000 (based upon the last reported sale price of the Common Stock at December 30, 2022 on the NASDAQ Global Market). Shares of common stock held by any executive officer or director of the registrant have been excluded from this computation because such persons may be deemed to be affiliates. This determination of affiliate status is not a conclusive determination for other purposes.

On August 4, 2023, there were outstanding 4,017,187 shares of the Registrant's \$.01 par value Common Stock (which includes any unvested restricted shares previously awarded).

Documents Incorporated by Reference

Document	Part of the Form 10-K into which incorporated
Portions of the Proxy Statement dated September 7, 2023, for the Annual Meeting of Shareholders to be held on October 10, 2023.	III

STRATTEC SECURITY CORPORATION
ANNUAL REPORT IN FORM 10-K
July 2, 2023

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

A number of the matters and subject areas discussed in this Form 10-K as well as in portions of the Company's Proxy Statement, dated September 7, 2023, which is incorporated herein by reference, contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "would," "expect," "intend," "may," "planned," "potential," "should," "will" and "could," or the negative of these terms or words of similar meaning. These statements include expected future financial results, product offerings, global expansion, liquidity needs, financing ability, planned capital expenditures, management's or the Company's expectations and beliefs, and similar matters discussed, or otherwise incorporated herein by reference, in this Form 10-K. The discussions of such matters and subject areas are qualified by the inherent risks and uncertainties surrounding future expectations generally, and also may materially differ from the Company's actual future experience.

The Company's business, operations and financial performance are subject to certain risks and uncertainties, which could result in material differences in actual results from the Company's current expectations. These risks and uncertainties include, but are not limited to, general economic conditions, in particular relating to the automotive industry, consumer demand for the Company's and its customers' products, competitive and technological developments, customer purchasing actions, changes in warranty provisions and customer product recall policies, work stoppages at the Company or at the location of its key customers as a result of labor disputes, foreign currency fluctuations, uncertainties stemming from U.S. trade policies, tariffs and reactions to same from foreign countries, the volume and scope of product returns or customer cost reimbursement actions, changes in the costs of operations, warranty claims, adverse business and operational issues resulting from the global supply chain and logistics disruption, the semiconductor chip supply shortages and the Coronavirus (COVID-19) pandemic, matters adversely impacting the timing, availability and cost of material component parts and raw materials for the production of our products and the products of our customers, or the continuation or worsening thereof and other matters described under "Risk Factors" in Part I, Item 1A of this report.

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

ITEM 1. BUSINESS**Basic Business**

STRATTEC SECURITY CORPORATION designs, develops, manufactures and markets automotive access control products including mechanical locks and keys, electronically enhanced locks and keys, passive entry passive start systems (PEPS), steering column and instrument panel ignition lock housings, latches, power sliding side door systems, power tailgate systems, power lift gate systems, power deck lid systems, door handles and related products for primarily North American automotive customers. We also supplied global automotive manufacturers through a strategic relationship with WITTE Automotive (“WITTE”) of Velbert, Germany and ADAC Plastics Inc., doing business as ADAC Automotive (“ADAC”), of Grand Rapids, Michigan called VAST Automotive Group (“VAST”). Under this unique strategic relationship STRATTEC, WITTE and ADAC marketed the products of each company to global customers under the “VAST Automotive Group” brand name (as more fully described under Vehicle Access Systems Technology LLC herein). Effective as of June 30, 2023, STRATTEC sold its one-third interest in VAST LLC to WITTE. Going forward and effective as of the closing of the sale of its VAST LLC interest, STRATTEC entered into a strategic preferred partner relationship with WITTE covering VAST LLC pursuant to the terms of a cooperation framework agreement that enables STRATTEC to continue to market and rely on the global capabilities of VAST LLC. See "VAST, LLC, SPA, LLC and SPA de Mexico Equity Restructuring Agreement" below for additional information regarding the sale of STRATTEC's VAST LLC interest to WITTE. STRATTEC products are shipped to customer locations in the United States, Canada, Mexico, Europe, South America, Korea, China and India, and we, along with our partners, provide full service and aftermarket support for each VAST Automotive Group partners' products.

History

The product line that became STRATTEC was part of Briggs & Stratton Corporation's founding business in 1908. In 1995, STRATTEC was spun off from Briggs & Stratton through a tax-free distribution to the then-existing Briggs & Stratton shareholders and has been an independent public company for over twenty-eight years.

Our history in the automotive security business spans 115 years. STRATTEC has been the world's largest producer of automotive locks and keys since the late 1920s, and we currently maintain a significant share of the North American markets for these products.

Products

Our traditional products are lock sets (locks and keys) for cars and light trucks. Typically, two keys are provided with each vehicle lockset. Most of the vehicles we currently supply are using keys with sophisticated radio frequency identification technology for additional theft prevention. Keys with remote entry devices integrated into a single unit and bladeless electronic keys as well as turn-key passive entry passive start systems (PEPS) have been added to our product line and are gaining in popularity.

Ignition lock housings represent another access control product for us. These housings are the mating part for our ignition locks and typically are part of the steering column structure, although there are instrument panel-mounted versions for certain vehicle applications. These housings are either die cast from zinc or injection molded plastic and may include electronic components for theft deterrent systems.

We have developed and are continuing to develop access control products, including trunk latches, lift gate latches, tailgate latches, hood latches, side door latches and related hardware. With our acquisition of Delphi Corporation's Power Products Group in fiscal 2009, we have been supplying and continue to supply various power access devices for sliding side doors, tailgates, lift gates and trunk lids to our automotive industry customers. Through a joint venture formed with ADAC Automotive during fiscal 2007, we also supply painted and non-painted door handles and components and related vehicle access hardware.

In recent years, more and more vehicle access systems have moved from purely mechanical components to integrated electro-mechanical systems. STRATTEC has been at the forefront of this new technology, working with Original Equipment Manufacturers' (OEMs) product development and purchasing groups to provide cost-effective, innovative solutions to the challenges facing our customers.

STRATTEC's customer-focused structure and formalized product development process helps us identify and meet customer needs in order to support the customer's program milestones. From concept and design, through implementation and into the aftermarket, STRATTEC delivers products that provide the optimum value solution to security and access control requirements. We have a comprehensive Products & Solutions portfolio that can be viewed on our website at www.strattec.com (see “Available Information” below for additional information).

To maintain a strong focus on each of these access control products, we have Product Business Managers who oversee the product's entire life cycle, including product concept, application, manufacturing, warranty analysis, service/aftermarket, and financial/commercial issues. The Product Business Managers work closely with our sales organization, our engineering group, and our manufacturing operations to ensure their products are receiving the right amount of quality attention so that their value to STRATTEC and the marketplace is enhanced.

Markets

We are a direct supplier to OEM automotive and light truck manufacturers as well as other transportation-related manufacturers. Our largest customers are Stellantis, General Motors Company and Ford Motor Company. Our access control product mix varies by customer, but generally our overall sales tend to be highest in door handles and trim components produced by ADAC-STRATTEC de Mexico, followed by lock and key, including aftermarket produced by STRATTEC de Mexico, power access products produced by STRATTEC Power Access de Mexico, and latch mechanisms and ignition lock housing components produced by STRATTEC de Mexico. See Operations discussion included herein for further description.

Direct sales to various OEMs represented approximately 80 percent and 79 percent of our total sales for fiscal 2023 and 2022, respectively. The remainder of our revenue is received primarily through sales to the OEM service channels, the aftermarket and Tier 1 automotive supplier customers, and sales of certain products to non-automotive commercial customers.

Sales to our major automotive customers, both OEM and Tier 1, are coordinated through direct sales personnel located in our Detroit-area office. Sales are also facilitated through daily interaction between our Program Managers, Application Engineers and other product engineering personnel. Sales to other OEM customers are accomplished through a combination of our sales personnel located in Detroit and personnel in our Milwaukee headquarters office.

The majority of our OEM products are sold in North America. While some exporting is done to Tier 1 and automotive assembly plants in Europe, Asia and South America, we have restructured our presence in these markets and elsewhere through our entry into a cooperation framework agreement with WITTE related to the business of VAST LLC as part of our sale of our VAST LLC interest to WITTE under the terms of the Equity Restructuring Agreement. We are also independently evaluating our presence in markets outside of North America through other channels.

OEM service and replacement parts are sold to the OEM's own service operations. In addition, we distribute our components and security products to the automotive aftermarket through approximately 50 authorized wholesale distributors, as well as other marketers and users of component parts, including export customers. Increasingly, our products find their way into the retail channel, specifically the hardware store channel. Our ability to provide a full line of keys to that channel has been accomplished through the introduction of the STRATTEC "XL" key line. This extension to our product line includes keys that we currently do not supply on an OEM basis, including keys for Toyota, Honda and other popular domestic and import vehicles. This extended line of keys enables automotive repair specialists to satisfy consumer needs for repair or replacement parts. Our aftermarket activities are serviced through a warehousing operation in El Paso, Texas.

Customer Sales Focus

To bring the proper focus to the relationships with our major customers, we have six customer-focused teams, each with a Director of Sales, one or two Engineering Program Managers and various Customer Application Engineers. In addition to customer teams for General Motors, Ford and Stellantis, we currently have teams for New Domestic Vehicle Manufacturers (primarily the Japanese and Korean automotive manufactures), User Interface Controls (formerly Driver Control/Ignition Lock Housing) customers, Tier 1 customers, and Service and Aftermarket customers. Sales and engineering for ADAC-STRATTEC LLC (described in greater detail below) are supported by our partner in this joint venture, ADAC Automotive.

Each Sales Director is responsible for the overall relationship between STRATTEC and a specific customer group. Program Managers are responsible for coordinating cross functional activities while managing new product programs for their customers.

Product Engineering Focus

To best serve our customers' product needs, STRATTEC's engineering resources are organized into groups which focus on specific access control applications. We currently have six engineering groups: Locks and Keys, Aftermarket, Latches, Power Access Devices, User Interface Controls (formerly Driver Control/Ignition Lock Housings) and Wireless Systems (formerly Electrical). Each group has a Product Business Manager, an Engineering Manager and a complement of skilled engineers who design and develop products for specific applications. In doing this, each engineering group works closely with both the customer and product teams, Engineering Program Managers, and Application Engineers.

Underlying this organization is a formalized product development process to identify and meet customer needs in the shortest possible time. By following this streamlined development system, we shorten product lead times, tighten our response to market changes and provide our customers with the optimum value solution to their security/access control requirements. STRATTEC is also IATF 16949:2016 and ISO 14001 certified. This means we embrace the philosophy that quality should exist not only in the finished product, but in every step of our processes as well.

Operations

A significant number of the components that go into our products are manufactured at our headquarters in Milwaukee, Wisconsin. This facility produces zinc die cast components, stampings and milled key blades. We have three owned production facilities currently in operation in Juarez, Mexico operating as STRATTEC de Mexico. Plant No. 1 houses key finishing and assembly operations for locksets and ignition lock housings. Plant No. 2 houses our key molding and plastic injection molding operations for door handles and components, as well as containing dedicated space for the assembly operations of ADAC-STRATTEC de Mexico. Plant No. 3 houses both latch and power access assembly operations for STRATTEC Power Access de Mexico. Plant No. 4 is in Leon, Mexico and houses our custom paint system for door handles and assembly for ADAC-STRATTEC de Mexico and is owned by the ADAC-STRATTEC de Mexico joint venture.

STRATTEC de MEXICO

We have formed STRATTEC de Mexico as a wholly owned subsidiary of STRATTEC to own and operate the three production facilities in Juarez, Mexico described above under "Operations". At these three facilities we house our assembly operations for locksets and ignition lock housings, our key finishing and plastic injection molding operations, our assembly operations for ADAC-STRATTEC de Mexico noted below and our latch and power access assembly operations for STRATTEC POWER ACCESS de Mexico noted below.

Vehicle Access Systems Technology LLC

In fiscal 2001, we entered into a formal alliance with WITTE-Velbert GmbH, an automotive supplier based in Germany which designs, develops, manufactures and markets automotive access control products for European-based customers. This alliance consisted of two initiatives. The first was a set of legal agreements which allowed STRATTEC to manufacture and market WITTE's core products in North America, and WITTE to manufacture and market STRATTEC's core products in Europe. The second initiative was a 50:50 joint venture, WITTE-STRATTEC LLC, to invest in operations with local partners in strategic markets outside of Europe and North America.

In February of 2006, we announced the expansion of this alliance and related joint venture with the addition of a third partner, ADAC Plastics, Inc. ADAC, of Grand Rapids, Michigan, adds North American expertise in door handles, a part of WITTE's core product line that STRATTEC did not support, and an expertise in color-matched painting of these components.

With the expansion of the alliance, we offered a full range of access control related products available on a global basis to support customer programs. To identify this powerful combination of independent companies focused on working together, we renamed the joint venture Vehicle Access Systems Technology LLC (VAST LLC). We referred to the combination of the alliance structure and joint venture as "VAST Automotive Group" (VAST). WITTE became WITTE Automotive, and ADAC became ADAC Automotive. What was VAST made investments with a local partner in Brazil in September, 2001, and local partners in China in March, 2002. However, during fiscal 2010, VAST LLC purchased the remaining 40 percent interest of its local partners in the China venture. VAST China became wholly owned by VAST LLC and had annual net sales of approximately \$205.7 million and \$190.4 million during fiscal 2023 and 2022, respectively. This gave STRATTEC a one-third interest in VAST China's activities in the Chinese/Asian market for manufacturing and assembly of painted door handles, locksets and latch products. VAST China currently operates out of two manufacturing facilities in Taicang and Jingzhou, China. The Fuzhou, China facility closed during our fiscal 2021. In March, 2014, VAST LLC purchased the remaining 49 percent interest of its local partner in Brazil, which had annual net sales of approximately \$1.6 million and \$1.3 million during fiscal years 2023 and 2022, respectively.

On April 30, 2015 VAST LLC executed a purchase agreement to become a 50:50 Joint Venture partner with Minda Management Services Limited, an affiliate of both Minda Corporation Limited and Spark Minda, Ashok Minda Group of New Delhi, India (collectively, "Minda"). As part of this transaction, VAST acquired a fifty percent equity interest in the former Minda-Valeo Security Systems joint venture entity, based in Pune, India. This joint venture entity was renamed Minda-VAST Access Systems ("Minda-VAST"). Minda-VAST has operations in Pune and Delhi and had annual sales of approximately \$31.4 million and \$29.4 million during fiscal years 2023 and 2022, respectively. Minda is a leading manufacturer of security & access products and handles, for both OEMs and the aftermarket in India. Minda-VAST financial results are accounted for on the equity method of accounting by VAST LLC.

ADAC-STRATTEC LLC and ADAC-STRATTEC de MEXICO

During fiscal 2007, we formed a new entity with ADAC Automotive called ADAC-STRATTEC LLC including a wholly owned Mexican subsidiary ADAC-STRATTEC de Mexico (collectively, ASdM). The purpose of this joint venture is to produce certain ADAC and STRATTEC products utilizing ADAC's plastic molding injection expertise and STRATTEC's assembly capability. ASdM currently operates out of defined space in STRATTEC de Mexico Plant No. 2 located in Juarez, Mexico. Products from this joint venture include non-painted door handle components and exterior trim components for OEM customers producing in North America. STRATTEC owns 51% of this joint venture and its financial results are consolidated into STRATTEC's financial statements. In our fiscal year ending 2022, ASdM was near break-even due to rising material and labor costs that could not be passed on to customers through higher customer purchase prices. In our fiscal year ended 2023, ASdM generated losses due to continued increased material and labor costs. ASdM represented \$121.9 million and \$111.8 million of our consolidated net sales in our fiscal 2023 and 2022, respectively. STRATTEC de Mexico Plant No. 4 is in Leon, Mexico and houses our custom paint system for door handles and assembly for ADAC-STRATTEC de Mexico.

STRATTEC POWER ACCESS LLC and STRATTEC POWER ACCESS de MEXICO

During fiscal year 2009, we formed a new subsidiary with WITTE Automotive called STRATTEC POWER ACCESS LLC (SPA) to acquire the North American business of the Delphi Power Products Group. WITTE was a 20 percent minority owner in SPA until June 30, 2023, at which time WITTE transferred and sold its minority interest to STRATTEC. See "VAST, LLC, SPA, LLC and SPA de Mexico Equity Restructuring Agreement" below for additional information regarding STRATTEC's purchase of WITTE's interest in SPA. SPA in turn owns 100 percent of a Mexican subsidiary, STRATTEC POWER ACCESS de Mexico. The purpose of this subsidiary is to produce power access devices for sliding side doors, tailgates, lift gates, trunk lids and other related products. STRATTEC POWER ACCESS de Mexico currently operates out of defined space in STRATTEC de Mexico Plant No. 3 located in Juarez, Mexico. Financial results for SPA are consolidated in STRATTEC's financial statements. In our fiscal years ending 2023 and 2022, SPA was profitable and represented \$114.1 million and \$95.7 million, respectively, of our consolidated net sales.

VAST LLC, SPA LLC and SPA de MEXICO Equity Restructuring Agreement

On June 30, 2023, STRATTEC completed an Equity Restructuring Agreement with WITTE related to both, STRATTEC's VAST LLC joint venture and its STRATTEC Power Access LLC (SPA) joint venture. Prior to the closing of the Restructuring Agreement, STRATTEC was a one-third owner of the VAST LLC joint venture with WITTE and ADAC Plastics, Inc. Under the terms of the Restructuring Agreement, STRATTEC agreed to sell to WITTE its one-third interest in VAST LLC for a net purchase price of \$18,500,000 plus STRATTEC purchased ownership of: (1) WITTE's 20% minority interest in STRATTEC Power Access LLC (SPA), a Delaware limited liability company formed in the Company's 2009 fiscal year to supply the North American portion of the Power Sliding Doors, Liftgates, Tailgates, Deck Lids and other Access Control System products which were acquired from Delphi Corporation in 2009; and (2) the net assets of VAST LLC's Korea branch office, which business is operated by a newly registered Korea branch of the Company, following the closing of the Restructuring Agreement. As part of the restructuring agreement, ADAC Plastics, Inc took over 100% of VAST Brazil.

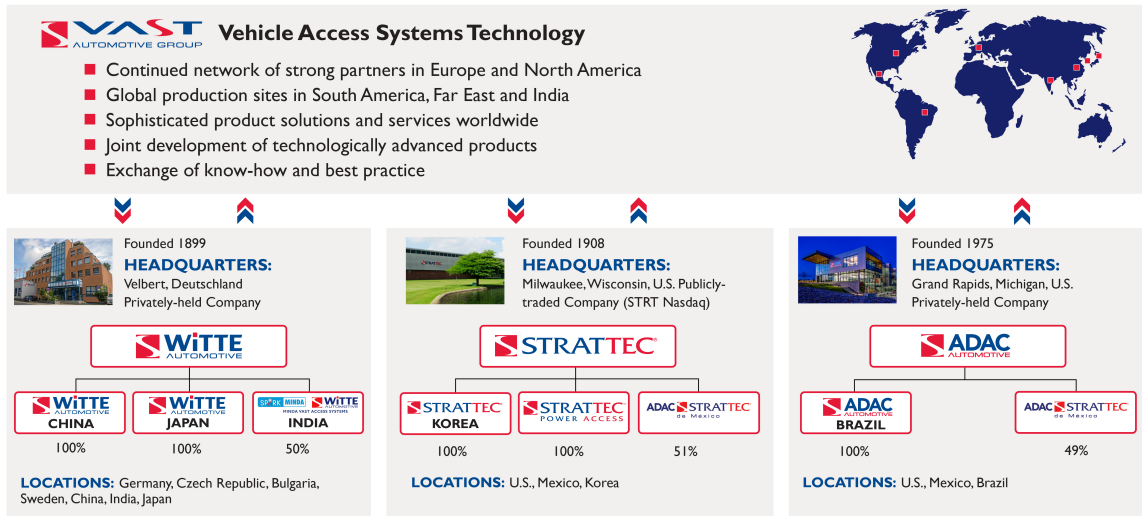
After over 2 decades of a business Alliance and JV partnership with WITTE, we jointly came to the conclusion that the changing technology in the auto industry, changes in our respective product lines and shifts in global commerce necessitated a rethink of our business relationship. The primary result of this rethinking is the sale of our equity stake in VAST LLC and securing 100% ownership of SPA as described above.

While the equity ownership in VAST has changed, we expect to continue to leverage the VAST brand and to collaborate on product development and manufacturing capabilities with WITTE and VAST in winning new business and serving global customers. Accordingly, as part of the sale of STRATTEC's interest in VAST LLC, we entered into at closing a cooperation framework agreement with WITTE covering the business of VAST LLC, which provides a framework for the parties to collaborate on global programs related to product development and manufacturing. This Equity Restructuring Agreement and the aforementioned cooperation framework agreement will position STRATTEC to redeploy assets, both financial and technical, to create greater focus on STRATTEC-specific strategic growth opportunities in North America and around the world. We believe this transaction is a very positive step to allow us to be more focused and competitive in this exciting and once-in-a-lifetime restructuring of a major industry where we are well-positioned to take advantage of new opportunities. This includes more of our product applications on Electric Vehicles, growing consumer demand for Power Access products, expansion of electronics capabilities and other new automotive products. It will also give us greater resources to further explore diversification of markets, complimentary technology and regions outside of North America.

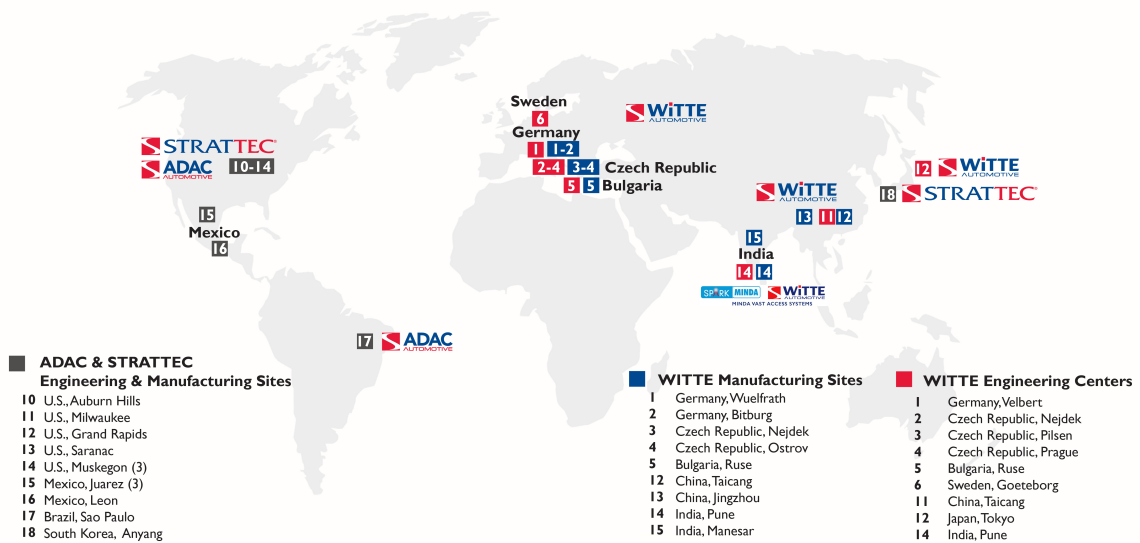
Part of the restructuring agreement and in order to continue to manage our customer relationships and coordinate global programs and activities, as noted above, we also entered into a new cooperation framework agreement with WITTE Automotive. This cooperation framework agreement will enable STRATTEC to supply and deliver global programs by leveraging the VAST global footprint with the added advantage of providing regional support from WITTE's operating entities in Europe, China and India. We will also jointly, along with ADAC Plastics and WITTE, continue to leverage the sales/engineering offices in Japan, Korea and Brazil.

ADAC-STRATTEC LLC and ADAC-STRATTEC de MEXICO were not affected by the Equity Restructuring Agreement. For further information on VAST LLC and the equity restructuring, see "Investment in Joint Ventures and Majority Owned Subsidiaries" and "Equity Earnings of Joint Ventures" included in Notes to Financial Statements under Item 8 in this Form 10-K.

VAST LLC and SPA LLC Equity Restructuring Agreement



Global Presence



Seasonal Nature of the Business

The manufacturing of components used in automobiles is driven by the normal peaks and valleys associated with the automotive industry. Typically, the months of July and August are relatively slow as summer vacation shutdowns and model year changeovers occur at the automotive assembly plants. September volumes increase rapidly as each new model year begins. This volume strength continues through October and into early November. As the holiday and winter seasons approach, the demand for automobiles slows, as does production. March usually brings a major sales and production increase, which then continues through most of June. This results in our first fiscal quarter sales and operating results typically being our weakest, with the remaining quarters being more consistent. As described elsewhere herein under Management's Discussion and Analysis of Financial Condition and Results of Operation – Executive Overview, adverse business and operational issues resulting from the semiconductor chip supply shortages and the conflict in the Ukraine have adversely impacted the timing, availability and cost of certain material component parts and raw materials for the production of our products and the products of our customers. These events temporarily disrupted our normal seasonal sales patterns during fiscal 2023 and 2022.

Vehicle List

2024 Vehicles

We are proud to be associated with many of the quality vehicles produced in North America and elsewhere.

The following cars and light trucks are equipped with STRATTEC components during our 2024 fiscal year:

PASSENGER CARS

Acura NSX	Cadillac Celestiq (EV)	Dodge Charger
Acura ZDX (EV)	Cadillac Lyriq (EV)	Ford Focus *
Aston Martin DB 11 *	Chevrolet Bolt (EV)	Ford Mustang
Aston Martin DB 12 *	Chevrolet Camaro	Honda Accord
Aston Martin DBS *	Chevrolet Corvette	Honda Prologue (EV)
Aston Martin DBX *	Chevrolet Malibu	Maserati Ghibli *
Aston Martin Valkyrie	Chevrolet Seeker *	Maserati MC20 *
Aston Martin Vantage *	Chrysler 300	Maserati Quattroporte *
Cadillac ATS *	Cruise Origin (EV)	Volkswagen Jetta
Cadillac CT5 *	Dodge Challenger	

LIGHT TRUCKS, VANS AND SPORT UTILITY VEHICLES

Acura MDX	Chevrolet Suburban	GMC Sierra (EV)
Acura RDX	Chevrolet Tahoe	Pickup
Audi Q5	Chevrolet Trail Blazer *	GMC Terrain
Brightdrop EV600 (EV)	Chevrolet Traverse	GMC Yukon and Yukon XL
Buick Enclave	Chevrolet Trax *	Honda Odyssey
Buick Envista *	Chrysler 300	Hyundai Staria *
BMW X7	Chrysler Pacifica (PH option)	Jeep Meridian
Cadillac Escalade & Escalade ESV	Dodge Durango	Jeep Commander *
Cadillac Escalade (EV)	Dodge Hornet (PH option)	Jeep Compass
Cadillac Lyriq	Ford Bronco Sport	Jeep Gladiator
Cadillac XT4	Ford Edge	Jeep Grand Cherokee
Cadillac XT5	Ford Escape (PH option)	Jeep Wrangler/Wrangler Unlimited (PH option)
Cadillac XT6	Ford Expedition	Kia Sedona *
Chevrolet Blazer	Ford Explorer	Kia Carnival *
Chevrolet Blazer (EV)	Ford F-Series Pickup	Lincoln Aviator (PH option)
Chevrolet Colorado *	Ford F-Series Super Duty Pickup	Lincoln Corsair (PH option)
Chevrolet Cobalt *	Ford F-150 Lightning (EV)	Lincoln MKX
Chevrolet Equinox	Ford Maverick Pickup	Lincoln Nautilus
Chevrolet Equinox (EV)	Ford Mustang Mach-E (EV)	Lincoln Navigator
Chevrolet Express Van	Ford Ranger Pickup	Maserati Levante *
Chevrolet Joy *	Ford Transit Connect *	Ram 1500 Pickup
Chevrolet Malibu	GMC Acadia	Ram 1500 Classic Pickup
Chevrolet S-10 *	GMC Canyon *	Volkswagen Jetta
Chevrolet Silverado & Silverado HD Pickup	GMC Hummer (EV)	Volkswagen Tiguan (PH option)
Chevrolet Silverado (EV)	GMC Savana	Volvo Polestar 3 (EV)
Chevrolet Seeker *	GMC Sierra & Sierra HD	Volvo XC90 (PH option)
Chevrolet Spin *		

* Vehicles produced outside of North America, or both in and outside North America.

EV – Electric Vehicle

PH – Plug-In Hybrid

Emerging Technologies

Automotive vehicle access systems, which are both theft deterrent and consumer friendly, are trending toward electro-mechanical and connected devices. Electronic companies are developing user identification systems such as bio-systems, card holder (transmitter) systems, etc., while mechanical locks, keys, housings, and latches are evolving to accommodate electronics. We believe we are positioning ourselves as a vehicle access control supplier by building our product, engineering and manufacturing expertise in the required electro-mechanical products, which include vehicle access latches, keys with remote entry electronic systems, ignition interface systems with passive start and Phone as a Key (PaaK) capabilities. In both 2018 and 2019, we were awarded the Automotive News Pace Award for Excellence and Innovation for our Invis-A-Rise™ Power Liftgate and Invis-A-Rise™ Power Tailgate products. As the automotive industry continues developing various levels of autonomous vehicles, we believe that we are well positioned to continue the development and incorporation of power sliding doors, power tailgates and other consumer convenience features into these types of vehicles.

These technologies benefit us by increasing our potential customer base as a Tier 2 supplier while maintaining our Tier 1 status on some product lines and by adding additional product line availability.

Sources and Availability of Raw Materials

Our primary raw materials are high-grade zinc, brass, nickel silver, steel, aluminum, plastic resins and semiconductor chips and other electronics. 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. We believe our sources for raw materials are very reliable and adequate for our needs. We have not experienced any significant long term supply problems in our operations. However, the impacts of geopolitical instability have adversely impacted the supply of certain semiconductor chips and related electronics components which has adversely impacted our, and our customers', ability to build product and fulfill orders. See further discussion under "Risk Related to Coronavirus and Other Health Epidemics," "Risk Related to Geopolitical Instability," and "Risk Factors-Sources of and Fluctuations in Market Prices of Raw Materials" included under Item 1A of this Form 10-K.

Patents, Trademarks and Other Intellectual Property

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

Although, in the aggregate, the intellectual property discussed herein are of considerable importance to the manufacturing and marketing of many of our access control products, we do not consider any single patent or trademark or group of related patents or trademarks to be material to our business as a whole, except for the STRATTEC and STRATTEC with logo trademarks.

We also rely upon trade secret protection for our confidential and proprietary information. We maintain confidentiality agreements with our key executives. In addition, we enter into confidentiality agreements with selected suppliers, consultants and employees as appropriate to evaluate new products or business relationships pertinent to our success. However, there can be no assurance that others will not independently obtain similar information and techniques or otherwise gain access to our trade secrets or that we can effectively protect our trade secrets.

Dependence Upon Significant Customers

A significant portion of our annual sales are to General Motors Company, Ford Motor Company, and Stellantis. These three customers accounted for approximately 66 percent and 65 percent of our net sales in 2023 and in 2022, respectively. Further information regarding sales to our largest customers is set forth under the caption "Risk Factors – Loss of Significant Customers, Vehicle Content, Vehicle Models and Market Share" and "Risk Factors – Production Slowdowns by Customers" included under Item 1A of this Form 10-K and "Notes to Financial Statements-Sales and Receivable Concentration" included in Notes to Financial Statements under Item 8 in this Form 10-K.

The products sold to these customers are model specific, fitting only certain defined applications. Consequently, we are highly dependent on our major customers for their business, and on these customers' ability to produce and sell vehicles which utilize our products. We have enjoyed good relationships with General Motors Company, Stellantis, Ford Motor Company and other customers in the past, and expect to continue to do so in the future. However, a significant change in the purchasing practices of, or a significant loss of volume from, one or more of these customers could have a detrimental effect on our financial performance. We cannot provide any assurance that any lost sales volume could be replaced despite our historical relationships with our customers.

Sales and Marketing; Backlog

We provide our customers with engineered access control products including locksets, fobs, push button passive entry passive start ignition systems, steering column lock housings, electromechanical latches, power sliding door systems, power tailgate systems, power liftgate systems, power decklids, painted and non-painted door handles, door handle components and trim and other access products which are unique to specific vehicles. Any given vehicle will typically take 1 to 3 years of development and engineering design time prior to being offered to the public. The access control products are designed concurrently with the vehicle. Therefore, commitment to STRATTEC as the production source for such products and components occurs 1 to 3 years prior to the start of production for such components. We employ an engineering staff that assists in providing design and technical solutions to our customers. We believe that our engineering expertise is a competitive advantage and contributes toward our strong market position in our industry. For example, we regularly provide innovative design proposals for our product offerings to our customers that we believe will improve customer access, vehicle security system quality, theft deterrence and system cost.

The typical process used by automotive manufacturers in selecting a supplier for access control products is to offer the business opportunity to us and several of our competitors. Each competitor will pursue the opportunity, doing its best to provide the customer with the most attractive proposal. Price pressure is strong during this process but once an agreement is reached, a commitment is made for each year of the product program. Typically, price reductions resulting from productivity improvement by STRATTEC over the life of the product program are included in the contract and are estimated in evaluating each of these opportunities. A blanket purchase order, a contract indicating a specified part will be supplied at a specified price during a defined time period, is issued by customers for each model year. Production quantity releases or quantity commitments are made to that purchase order for weekly deliveries to the customer. As a consequence and because we are a "Just-in-Time" supplier to the automotive industry, we do not maintain a backlog of orders in the classic sense for future production and shipment and, accordingly, we are unable to provide a meaningful backlog comparison from year to year.

Competition

We compete with domestic and foreign-based competitors on the basis of custom product design, engineering support, quality, delivery and price. While the number of direct competitors in our product markets is currently relatively small, the automotive manufacturers actively encourage competition between potential suppliers. We have a large share of the North American market for our access control products because of our ability to provide optimal value, which is a beneficial combination of price, quality, technical support, program management, innovation and aftermarket support. In order to reduce access control product production costs while still offering a wide range of technical support, we utilize assembly operations and certain light manufacturing operations in Mexico, which results in lower labor costs as compared to the United States.

As locks and keys become more sophisticated and involve additional electronics, competitors with specific electronic expertise may emerge to challenge us. To address this, we have in recent years strengthened our electrical engineering knowledge and service. We are also working with several electronics suppliers to jointly develop and supply these advanced products.

Our lockset, steering column lock housing, latches and power access competitors include Huf North America, Ushin, Valeo, Tokai-Rika, Alpha-Tech, Honda Lock, Shin Chang, Magna, Edscha, Stabilus, Aisin, Brose, Mitsuba, Ohi, Kiekert, Inteva, Novares and Geacom. For additional information related to competition, see the information set forth under "Risk Factors-Highly Competitive Automotive Supply Industry" included under Item 1A of this Form 10-K.

Research and Development

We engage in research and development activities pertinent to automotive access control. A major area of focus for research is the expanding role of vehicle access via electronic interlocks and modes of communicating authorization data between consumers and vehicles. Development activities include new products, applications and product performance improvements. In addition, specialized data collection equipment is developed to facilitate increased product development efficiency and continuous quality improvements. For fiscal years 2023 and 2022, we incurred approximately \$15.9 million and \$12.2 million, respectively, on research and development. We believe that, historically, we have committed sufficient resources to research and development and we intend to continue to invest in the future as required to support additional product programs associated with both existing and new customers. Patents are pursued and will continue to be pursued as appropriate to protect our interests resulting from these activities.

Customer Tooling

We incur costs related to tooling used in component production and assembly. Some of these costs are reimbursed by customers who then own the tools involved. See the information set forth under "Organization and Summary of Significant Accounting Policies-Customer Tooling in Progress" included in Notes to Financial Statements under Item 8 in this Form 10-K.

Environmental Compliance

As is the case with other manufacturers, we are subject to Federal, state, local and foreign laws and other legal requirements relating to the generation, storage, transport, treatment and disposal of materials as a result of our manufacturing and assembly operations. These laws include the Resource Conservation and Recovery Act (as amended), the Clean Air Act (as amended), the Clean Water Act of 1990 (as amended) and the Comprehensive Environmental Response, Compensation and Liability Act (as amended). 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.

As discussed in “Commitments and Contingencies” under Notes to Financial Statement under Item 8 in this Form 10-K, a site at our Milwaukee facility is contaminated by a solvent spill from a former above-ground solvent storage tank located on the east side of the facility, which spill occurred in 1985. We continue to monitor this situation.

We do not currently anticipate any materially adverse impact on our financial statements or competitive position as a result of compliance with Federal, state, local and foreign environmental laws or other legal requirements. However, risk of environmental liability and charges associated with maintaining compliance with environmental laws is inherent in the nature of our business and there is no assurance that material liabilities or charges could not arise.

Human Capital

At July 2, 2023, we had approximately 3,361 associates worldwide, of which approximately 475 were employed in the United States and approximately 2,886 were employed outside of the United States. Approximately 178 or 5.3 percent were represented by a collective bargaining agreement at our Milwaukee, Wisconsin facility, all of whom are our production associates. Approximately 102 or 3.0 percent were represented by a collective bargaining agreement at our Leon, Mexico facility. In recent years, we have not experienced any significant work slowdowns, stoppages or other labor disruptions. The current contract with our Milwaukee unionized associates is effective through November 1, 2025. The current contract with our Leon unionized associates is effective through April 8, 2024.

We are guided by our “Values and Beliefs” mission statement that focuses on Empowerment, Communication, Citizenship, Enterprise, Change and Consensus. We remain committed to areas of work place safety, product quality and customer satisfaction. Successful execution of our mission is dependent on attracting, developing and retaining key associates and members of our management team, as well as providing competitive pay and benefits.

Social Responsibility

We are committed to conducting business and making decisions honestly, fairly and within the law, and are guided by our “Values and Beliefs” mission statement. We are dedicated to earning and keeping the trust and confidence of our shareholders, customers and associates as well as the communities where we do business.

Our “Code of Business Ethics” provides guidelines and a framework for conducting business in an ethical manner. These beliefs go beyond STRATTEC and are expected of our suppliers as detailed in our “Supplier Code of Conduct.” We have adopted policies that seek to eliminate human trafficking, slavery, child labor etc. from our global supply chain. In addition, we annually comply and file a Form SD with the Securities and Exchange Commission regarding “Conflict Minerals Disclosure and Report” as directed by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The purpose of this report is to help prevent products used to finance or benefit armed groups in the covered countries of this filing.

Our commitment to our environment is documented in our “Environmental Management System,” which provides for continuous improvement of our efforts toward preventing pollution, complying with relevant environmental legislation and regulations and complying with customer-based environmental regulations. In addition, we maintain our own IATF 16949:2016 and ISO 14001 annual certifications, which are globally recognized quality standards for the automotive industry. STRATTEC’s major initiatives in this area consist of energy improvement initiatives, primarily related to solar in Milwaukee, WI, Auburn Hills, MI, and Juarez, Mexico, and moves to more energy efficient production capital equipment in Milwaukee, WI to reduce carbon emissions.

Available Information

We maintain our corporate website at www.strattec.com and make available, free of charge, through this website our code of business ethics, annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements for annual shareholder meetings and amendments to those reports that we file with, or furnish to, the Securities and Exchange Commission (the "Commission") as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Commission. We are not including all the information contained on or made available through our website as a part of, or incorporating such information by reference into, this Annual Report on Form 10-K. However, this report includes (or incorporates by reference) all material information about STRATTEC that is included on our website which is otherwise required to be included in this report.

ITEM 1A. RISK FACTORS

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

RISK RELATED TO INFECTIOUS DISEASE OUTBREAKS, SUCH AS COVID-19

Pandemics or disease outbreaks, such as COVID-19, have disrupted, and may continue to disrupt, the global economy. For example, the Coronavirus (COVID-19) pandemic adversely affected our operations and supply chains, in particular related to the sourcing of semiconductor chips, which caused us to experience reductions in demand for certain of our products and services as a result of the pandemic and this supply chain disruption. Because we and our suppliers manufacture products in facilities around the world, we have been and may continue to be vulnerable to an outbreak of COVID-19 (or the resurgence of such an outbreak) or other contagious diseases in those regions as well as in the United States. The effects of COVID-19 and other contagious diseases have included and may continue to include disruptions or restrictions on our ability to travel, our ability to manufacture our affected products and our ability to ship these affected products to customers as well as disruptions that have and may continue to affect our key customers and suppliers, including those in these regions or other affected regions of the world, including in the United States, Mexico, China and neighboring countries. Current and future disruption of our ability to manufacture or distribute our products or of the ability of our customers to take orders of our products or our suppliers to deliver key raw materials on a timely basis could have a material adverse effect on our sales levels, pricing for raw materials and components and our operating results. In addition, the worsening of COVID-19 and future outbreaks of contagious diseases in the human population could result in a widespread health crisis that adversely affects the economies and financial markets of many countries (including those where we operate or where our products are ultimately used), resulting in an economic downturn that could affect demand for our products and impact our operating results.

RISK RELATED TO GEOPOLITICAL INSTABILITY

We are currently operating in a period of geopolitical instability resulting from the ongoing military conflict between Russia and the Ukraine, which has significantly contributed to economic uncertainty, capital market disruption and supply chain interruptions in the U.S. and global markets. On February 24, 2022, a full-scale military invasion of the Ukraine by Russian troops began. While the length and impact of the ongoing conflict is unpredictable, the Ukraine conflict could lead to market disruptions, including supply chain interruptions and significant volatility in commodity prices, and in credit and capital markets. The conflict in the Ukraine has led to sanctions and other penalties being levied against Russia by the U.S., the EU, and other countries. Additional potential sanctions and penalties have also been proposed. Russian military actions and the resulting sanctions, as well as future geopolitical conflicts, could adversely affect the global economy and financial markets and lead to instability and lack of liquidity in capital markets, potentially further disrupting the supply chain for necessary components and raw materials used by us or our customers in producing product. Any of the foregoing factors could have a material adverse effect on our business, operating results, financial condition and cash flows.

BUSINESS RISKS

Loss of Significant Customers, Vehicle Content, Vehicle Models and Market Share – Sales to General Motors Company, Ford Motor Company and Stellantis represented approximately 66 percent of our annual net sales (based on fiscal 2023 results) and, accordingly, these customers account for a significant percentage of our outstanding accounts receivable. The contracts with these customers provide for supplying the customer's requirements for a particular model. The contracts do not specify a specific quantity of parts. The contracts typically cover the life of a model, which averages approximately four to five years. Components for certain customer models may also be "market tested" annually. Therefore, the loss of any one of these customers, the loss of a contract for a specific vehicle model, a reduction in vehicle content, the early cancellation of a specific vehicle model, technological changes or a significant reduction in demand for certain key models could occur, and if so, could have a material adverse effect on our existing and future revenues, operating results, financial condition and cash flows.

Our major customers also have significant under-funded legacy liabilities related to pension and postretirement health care obligations. The loss in our major customers' North American automotive market share to the New Domestic automotive manufacturers (primarily the Japanese and Korean automotive manufacturers) and/or a significant decline in the overall market demand for new vehicles may ultimately result in severe financial difficulty for these customers, including bankruptcy. If our major customers cannot fund their operations, we may incur significant write-offs of accounts receivable and inventory, incur impairment charges or require restructuring actions.

Production Slowdowns by Customers – Our major customers and many of their suppliers were significantly impacted by the Great Recession of 2008/2009, by the COVID-19 pandemic in 2020, by supply chain issues resulting from the recent conflict in the Ukraine, and by a semiconductor chip shortage in 2021 and 2022. Many of our major customers instituted production cuts during our fiscal 2009 and 2010 due to the Great Recession and shuttered plants. Similarly during 2020, 2021 and 2022 in response to the effects of the COVID-19 pandemic, the Ukraine conflict and the semiconductor chip shortage many of our major customers again instituted production cuts and shuttered plants. While production subsequently increased after the cuts made in 2009 and again in 2021 when plants reopened following the COVID-19 closures, the current Ukraine conflict and semiconductor chip shortage, any additional economic slowdowns, pandemics or part supply shortages could bring about new production cuts which could have a material adverse effect on our existing and future revenues, operating results, financial condition and cash flows.

Cross-border Trade Issues or Tariffs – Our business is impacted by international or cross-border trade, including the import and export of products and goods into and out of the United States and trade tensions among nations. The shipping of goods across national borders is often more expensive and complicated than domestic shipping. Customs and duty procedures and reviews, including duty-free thresholds in various key markets, the application of tariffs, and security related governmental processes at international borders, may increase costs, discourage cross-border purchases, delay transit and create shipping uncertainties. Further, uncertainties stemming from changes in U.S. trade policies in particular with European countries and China, tariffs and the reaction of other countries thereto, could have an adverse effect on our business and may adversely impact our results of operations, financial condition and cash flows or reduce profitability on certain of our products.

Highly Competitive Automotive Supply Industry – The automotive component supply industry is highly competitive. Some of our competitors are companies, or divisions or subsidiaries of companies, that are larger than STRATTEC and have greater financial, global and technology capabilities. Our products may not be able to compete successfully with the products of these other companies, which could result in loss of customers and, as a result, decreased sales and profitability. Some of our major customers have previously 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, results of operations, financial condition and cash flows.

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 investments, acquisitions or alliances or in 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.

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

OPERATIONAL RISKS

Shortage of Raw Materials or Components Supply – In the event of catastrophic acts of nature such as fires, tsunamis, hurricanes, earthquakes and global pandemics and wars, a rapid increase in production demands or other unforeseen economic events such as prolonged periods of inflation, either we or our customers or other suppliers may experience supply shortages of raw materials or components. This could be caused by a number of factors, including a lack of production line capacity or manpower, working capital constraints or adverse conditions in banking and capital markets. In order to manage and reduce the costs of purchased goods and services, we and others within our industry have been rationalizing and consolidating our supply base. As a result, there is greater dependence on fewer sources of supply for certain components and materials used in our products, which could increase the possibility of a supply shortage of any particular component. If any of our customers experience a material supply shortage, either

directly or as a result of supply shortages at another supplier, that customer may halt or limit the purchase of our products. Similarly, if we or one of our own suppliers experience a supply shortage, we may become unable to produce the affected products if we cannot procure the components from another source. Such production interruptions could impede a ramp-up in vehicle production and could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We consider the production capacities and financial condition of suppliers in our selection process, and expect that they will meet our delivery requirements. However, there can be no assurance that strong demand, capacity limitations, shortages of raw materials, labor disputes or other problems will not result in any shortages or delays in the supply of components to us.

Because of the COVID-19 pandemic and the recent Ukraine conflict, we have experienced supply chain disruptions in particular with semiconductor chip shortages that impact our OEM customers' ability to finish assembly of new vehicles and which have adversely impacted orders for our products and, accordingly, our results of operations and cash flows. The continuation or renewal of these impacts could have a material adverse effect on our future revenues, financial results, financial condition and cash flows.

Sources of and Fluctuations in Market Prices of Raw Materials – Our primary raw materials are high-grade zinc, brass, nickel silver, aluminum, steel and plastic resins, which are typically sourced from a limited number of suppliers. We believe our sources of raw materials are reliable and adequate for our needs. However, the development of future sourcing issues related to using existing or alternative raw materials and the global availability of these materials as well as significant fluctuations in the market prices of these materials may have an adverse effect on our results of operations, financial condition and cash flows if the increased raw material costs cannot be recovered from our customers. During fiscal 2021, 2022 and 2023, we experienced higher raw material costs on the items listed above including freight costs on both raw material and purchased components.

Given the significant financial impact on us relating to changes in the cost of our primary raw materials, commencing with fiscal 2008 and thereafter, we began quoting quarterly material price adjustments for changes in our zinc costs in our negotiations with our customers. Our success in obtaining these quarterly price adjustments in our customer contracts is dependent on separate negotiations with each customer. It is not a standard practice for our customers to include such price adjustments in their contracts. We have been successful in obtaining quarterly price adjustments in some of our customer contracts. However, we have not been successful in obtaining the adjustments with all of our customers.

Foreign Operations – We operate wholly owned and majority owned manufacturing operations in Mexico. As these operations continue to expand, their success will depend, in part, on our 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.

Cyber Vulnerability – In the ordinary course of business, we collect and store sensitive data, including our proprietary business information and that of our customers, suppliers and business partners, as well as personally identifiable information of our customers and employees, in our internal data centers, cloud services and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Cybersecurity attacks are becoming more sophisticated and include, but are not limited to, malicious software attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information, corruption or destruction of data and other manipulation or improper use of systems or networks. Despite our security measures, our information technology and infrastructure, as well as that of our partners, customers and suppliers, may be vulnerable to malicious attacks, breaches or system failures due to employee error, malfeasance or other disruptions, including as a result of rollouts of new systems. Any such breach or operation failure would compromise our networks or that of our business partners, customers or suppliers, and the information stored could be accessed, publicly disclosed, lost or stolen, cause transaction processing errors, processing inefficiencies, delays or cancellation of customer orders, the loss of customers, impediments to the manufacturing or shipment of products, or other business disruptions. Although we have cybersecurity insurance in place, such access or other loss of information could result in legal claims or proceedings, regulatory fines or penalties, disruption in our operations, damage to our reputation, loss of confidence in our products and services, increased costs, or the loss of assets, any of which could have a negative impact on our business, results of operations, financial condition and cash flows. In addition, as security threats and cybersecurity and data privacy and protection laws and regulations continue to evolve and increase in terms of sophistication, we may be required to or choose to invest additional resources in the security of our systems. Any such increased level of investment could adversely affect our financial condition or results of operations. We have programs in place to address and mitigate cybersecurity risks. These programs include regular monitoring of outside threats, continuous update of software to mitigate risk, education of employees to the risks of external threats, and simplification of infrastructure to minimize servers. Although we believe the foregoing programs are reasonable actions to mitigate cybersecurity risks, the failure of these programs to adequately protect against these risks could have a negative impact on our business, results of operations, financial condition and cash flows.

Qualified Personnel – Our business success depends, to a significant degree, on attracting and retaining qualified personnel. Our ability to sustain and grow our business requires us to hire, retain, develop and motivate a highly skilled and diverse management team and workforce. These types of employees are in high demand and often have competing employment opportunities. The labor market for skilled employees is highly competitive and we may lose key employees or be forced to increase their compensation to retain these types of employees. Failure to ensure that we have the leadership capacity with the necessary skill set and experience could impede our ability to deliver our growth objectives and execute our strategic plan. Organizational and reporting changes resulting from any future leadership transition or corporate initiatives could result in increased turnover. Additionally, any unplanned turnover or inability to attract and retain key employees could have a negative effect on our results of operations, including by significantly increasing our recruitment, training and other related employee costs. Moreover, the loss of key personnel, or the failure to attract qualified personnel, could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Disruptions Due to Work Stoppages and Other Labor Matters – Our major customers and many of their suppliers have unionized work forces. Work stoppages or slow-downs experienced by our customers or their suppliers could result in slow-downs or closures of assembly plants where our products are included in assembled vehicles. For example, strikes by a critical supplier called by the United Auto Workers led to extended shut-downs of most of General Motors' North American assembly plants in February 2008 and September 2019. 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 our Milwaukee unionized associates is effective through November 1, 2025. We also have unionized associates at our Leon, Mexico facility. The current contract with our Leon unionized associates is effective through April 8, 2024. We may encounter further labor disruption and we 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, financial results, financial condition and cash flows. Labor contracts between General Motors Company, Ford Motor Company and Stellantis and their unionized associates under the United Auto Workers union expire in September 2023. In addition, their respective labor agreements with the Canadian auto workers union expire in Fall 2023. Labor disruptions encountered by our customers during the contract period could have an adverse effect on our business and our financial results.

FINANCIAL RISKS

Financial Distress of Automotive Supply Base – During the Great Recession, which impacted calendar years 2009 and 2010, deteriorating automotive industry conditions adversely affected STRATTEC and our supply base. Lower production levels at our major customers, volatility in certain raw material and energy costs and the global credit market crisis resulted in severe financial distress among many companies within the automotive supply base. During the above time frame, several automotive suppliers filed for bankruptcy protection or ceased operations. The potential continuation or renewal of financial distress within the supply base (whether from infectious disease, the Ukraine conflict, the ongoing supply chain and logistics disruptions or otherwise) and our suppliers' inability to obtain credit from lending institutions could lead to commercial disputes and possible supply chain interruptions. In addition, the potential for future adverse industry conditions (including from infectious disease, the Ukraine conflict or otherwise) may require us to provide financial assistance or other measures to ensure uninterrupted production. The continuation or renewal of these industry conditions could have a material adverse effect on our existing and future revenues, financial results, financial condition and cash flows.

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

Currency Exchange Rate Fluctuations – Our sales are denominated in U.S. dollars. We have manufacturing operations in Mexico, and as a result, a portion of our manufacturing costs are incurred in Mexican pesos. Therefore, fluctuations in the U.S. dollar/Mexican peso exchange rate may have a material effect on our profitability, cash flows, financial position, and may significantly affect the comparability of our results between financial periods. Any depreciation in the value of the U.S. dollar in relation to the value of the Mexican peso will adversely affect the cost of our Mexican operations when translated into U.S. dollars. Similarly, any appreciation in the value of the U.S. dollar in relation to the value of the Mexican peso will decrease the cost of our Mexican operations when translated into U.S. dollars.

Inflationary Pressures – We continue to experience elevated inflation in the markets in which we operate, with higher commodity, labor, freight and other cost pressure. While many costs will moderate over time, the increases in wage levels are likely to have longer-term effects on our cost structure. Additionally, we may continue to experience price increases from our suppliers in connection with the inflationary pressures they face. The inability to offset inflationary price increases through price increases from our customers, modifications to our products, continuous improvement actions or otherwise may have a material adverse effect on our financial results and financial condition.

Interest Rates – Rising interest rates could have a dampening effect on overall economic activity, the financial condition of our customers and suppliers and the financial condition of end consumers who ultimately create demand for the products we supply, all of which could negatively affect demand for our products.

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

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

Credit Facilities – Historically, from time to time we have relied on our existing credit facilities to provide us with adequate working capital to operate our business and fund our capital expenditures, including our expansion initiatives. Escalation of any global inflationary pressures on our operating results may impact our ability to satisfy our lending covenants in the short term. Additionally, we cannot provide assurance that we will be able to refinance, extend the maturity of, or otherwise amend the terms of our existing credit facilities, or that any refinancing, extension, or amendment will be on terms favorable to us or even on commercially reasonable terms. If our lenders reduce or terminate our access to amounts under our credit facilities, we may not have sufficient capital to fund our working capital needs and/or we may need to secure additional capital or financing to fund our working capital requirements or to repay outstanding debt under our credit facilities. Moreover, new credit facilities resulting from any refinancing of our existing facilities could have a significantly higher rate of interest and greater borrowing costs than our existing facilities. We can make no assurance that we will be successful in ensuring our availability of amounts under our credit facilities or in connection with raising additional capital and that any amount, if raised, will be sufficient to meet our cash flow requirements. If we are not able to maintain our borrowing availability under our credit facilities and/or raise additional capital when needed, we may be forced to sharply curtail our efforts to manufacture and promote the sale of our products or to curtail our operations.

There can be no assurance that the financial terms or covenants of any new credit facility will be the same or as favorable as those under our existing facilities. Additionally, our ability to complete a refinancing of our existing credit facilities prior to their respective maturities is subject to a number of conditions beyond our control. For example, if a disruption in the financial markets were to occur at the time that we intended to refinance our credit facilities, we might be restricted in our ability to access the credit lines. The restrictive covenants in any such new credit facility may limit our ability to engage in acts that may be in our best long term interests. A breach of any of these types of restrictive covenants in our credit facilities could result in a default under these facilities. If a default occurs, the lenders under our credit facilities may elect to declare all outstanding borrowings, together with accrued interest, to be immediately due and payable, to terminate any commitments they have to provide further borrowings and to exercise any other rights they have under the facilities or applicable law.

Warranty Claims – We are exposed to warranty claims in the event that our products fail to perform as expected, and we may be required to participate in the repair costs incurred by our customers for such products. We are engaged in ongoing discussions with our customers regarding warranty information and potential claims. The results of these discussions could result in additional warranty charges/claims in future periods. Depending on the nature of and the volume of vehicles involved in the potential warranty claims, these charges could be material to our financial statements. Prior to fiscal 2010, we had experienced relatively low warranty charges from our customers due to our commercial arrangements and improvements in the quality, reliability and durability of our products. Due to our largest customers' extension and/or expansion of their warranty protection programs and demands for higher warranty cost sharing arrangements from their suppliers in their terms and conditions of purchase, including from STRATTEC, we increased our provision to cover warranty exposures since fiscal year 2010. In 2015, 2018, and 2023, our increased warranty provision was the result of various known or expected customer warranty issues outstanding and estimated future warranty costs to be incurred as of June 2015, June 2018, and June 2023, respectively, for which amounts were reasonably estimable. As additional information becomes available, actual results may differ from recorded estimates or we may need to record additional warranty provisions. Although we

have product recall insurance in place, if our customers demand higher warranty-related cost recoveries, or if our products fail to perform as expected, it could have a material adverse impact on our results of operations, financial condition and cash flows.

LEGAL AND REGULATORY RISKS

Environmental, Safety and Other 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, among others, the Resource Conservation and Recovery Act (as amended), the Clean Air Act (as amended) and the Comprehensive Environmental Response, Compensation and Liability Act (as amended). We have an environmental management system that is ISO-14001 certified. We believe that our existing environmental management system is adequate for current and anticipated operations and we have no current plans for substantial capital expenditures in the environmental area. An environmental reserve was established in 1995 for estimated costs to remediate a site at our Milwaukee facility. The site was contaminated from a former above-ground solvent storage tank, located on the east side of the facility. The contamination occurred in 1985 and 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 related 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.

Compliance Related to Regulations Related to Conflict Minerals – We are required to disclose the use of tin, tantalum, tungsten and gold (collectively, “conflict minerals”) mined from the Democratic Republic of the Congo and adjoining countries (the “covered countries”) if a conflict mineral(s) is necessary to the functionality of a product manufactured, or contracted to be manufactured, by us. We may determine, as part of our compliance efforts, that certain products or components we obtain from our suppliers could contain conflict minerals. If we are unable to conclude that all our products are free from conflict minerals originating from covered countries, this could have a negative impact on both our existing and future business, reputation and/or results of operations. We may also encounter challenges to satisfy customers who require that our products be certified as conflict free, which could place us at a competitive disadvantage if we are unable to substantiate such a claim. Compliance with these rules could also affect the sourcing and availability of some of the minerals used in the manufacture of products or components we obtain from our suppliers, including our ability to obtain products or components in sufficient quantities and/or at competitive prices to sell to our customers.

Income Taxes – We are a U.S.-based multinational company subject to tax in multiple U.S. and foreign tax jurisdictions. Significant judgment is required in determining our global provision for income taxes, deferred tax assets or liabilities and in evaluating our tax positions on a worldwide basis. While we believe our tax positions are consistent with the tax laws in the jurisdictions in which we conduct our business, it is possible that these positions may be overturned by jurisdictional tax authorities, which may have a significant impact on our global provision for income taxes. Tax laws are dynamic and subject to change as new laws are passed and new interpretations of these laws are issued or applied. We are also subject to ongoing tax audits. These audits can involve complex issues, which may require an extended period of time to resolve and can be highly subjective. Tax authorities may disagree with certain tax reporting positions taken by us and, as a result, assess additional taxes against us. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax provision.

GENERAL RISK FACTOR

In addition to the specific risks above, we, our customers, and our suppliers may be adversely affected by changing economic conditions throughout the world. These conditions may result in reduced consumer and investor confidence, instability in the credit and financial markets, volatile corporate profits, and reduced business and consumer spending. We, our customers, and our suppliers and the economy as a whole also may be affected by future world or local events outside of our control, such as tariffs and other trade protection measures put in place by the United States or other countries, acts of terrorism, developments in the war on terrorism, civil unrest, conflicts in international situations, weather events, natural disasters, outbreaks of infectious diseases, such as the COVID-19 pandemic, and government or political related developments or issues, including changes in tax laws and regulations. These factors could have a material adverse impact on our results of operations, financial condition, and cash flows. Additionally, political and social turmoil, international conflicts (such as the Ukraine conflict) and terrorist acts may put pressure on global economic conditions that may adversely impact our operating results. Unstable political, social or economic conditions may make it difficult for us, our customers and our suppliers to accurately forecast and plan future business activities. If such conditions arise or persist, they could have a material adverse impact on our results of operations, financial condition and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We have five manufacturing plants, one warehouse, and one sales office. These facilities are described as follows:

<u>Location</u>	<u>Type</u>	<u>Sq. Ft.</u>	<u>Owned or Leased</u>
Milwaukee, Wisconsin	Headquarters and General Offices; Component Parts Manufacturing	345,123	Owned
Juarez, Chihuahua Mexico	Subsidiary Offices and Assembly	169,488	Owned
Juarez, Chihuahua Mexico	Subsidiary Offices and Assembly	69,900	Owned
Juarez, Chihuahua Mexico	Subsidiary Offices, Key Finishing, Injection Molding and Assembly Operations	114,877	Owned
Leon, Mexico	Subsidiary Offices, Door Handle Injecting Molding, Painting and Assembly	129,887	Owned
El Paso, Texas	Finished Goods and Service Parts Distribution Warehouse	114,715	Leased**
Auburn Hills, Michigan	Sales and Engineering Office for Detroit Customer Area	62,736	Owned

** Leased unit within a complex.

ITEM 3. 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, action or proceeding the ultimate disposition of which would have a material adverse effect on our financial statements.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the NASDAQ Global Market under the symbol "STRT."

Registered shareholders of record at July 2, 2023, were 827.

The Company's Board of Directors authorized a stock repurchase program on October 16, 1996, and the program was publicly announced on October 17, 1996. Since inception of the stock repurchase program, the Board of Directors has periodically increased the number of shares authorized for repurchase under the program. At July 2, 2023, the number of shares of the Company's common stock authorized for repurchase under the program totaled 3,839,395. The program currently authorizes the repurchase of the Company's common stock from time to time, directly or through brokers or agents, and has no expiration date. Over the life of the repurchase program through July 2, 2023, a total of 3,655,322 shares have been repurchased at a cost of approximately \$136.4 million. No shares were repurchased during the year ended July 2, 2023.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Discussion and Analysis should be read in conjunction with STRATTEC SECURITY CORPORATION's accompanying Financial Statements and Notes thereto included in this Form 10-K. Unless otherwise indicated, all references to years or quarters refer to fiscal years or fiscal quarters of STRATTEC.

Executive Overview

Historically, a significant portion of our total net sales have been to domestic automotive OEMs (General Motors, Ford and Stellantis). During the past two decades these customers lost North American market share to the New Domestic automotive manufacturers (primarily the Japanese and Korean automotive manufacturers). In addition to our dependence on our customers' maintaining their market share, our financial performance depends in large part on conditions in the overall automotive industry, which in turn, are dependent upon the U.S. and global economies. During fiscal years 2023 and 2022, the above domestic automotive OEMs together represented each year 66 percent and 65 percent, respectively, of our total net sales.

During fiscal years 2023 and 2022, we experienced strong sales demand for our components from our major North American customers noted above as it relates to light trucks and both sport utility and car-based utility vehicles in comparison to passenger cars, influenced by customer preferences. If gas prices were to rise substantially over the next several years, this consumer buying trend may not continue, which is approximately 90 percent light trucks and sport utility vehicles in comparison to 10 percent passenger car vehicle purchases today. During the last 3-5 years our major customers General Motors, Ford and Stellantis eliminated passenger car production on several models in North America as a strategy to improve their overall profitability going forward. Additionally, several of our significant customers have announced plans to increase production volumes for their models of Electric Vehicles. As these customers start migrating over to Electric Vehicles we believe a significant amount of our current and future product content will continue to be purchased by our major customers and will be adopted in this changeover (refer to vehicle list included at page 7 in this Form 10-K).

Fiscal 2023 net sales were \$492 million compared to \$452 million in fiscal 2022. The net sales improvement in fiscal 2023 reflected an improvement in the global semiconductor chip shortage which had caused our OEM customers to temporarily shut down their assembly plants reducing our net sales during fiscal 2022. Despite higher sales in fiscal 2023, net income attributable to STRATTEC for fiscal 2023 was negative \$6.7 million compared with the net income attributable to STRATTEC of \$7.0 million in fiscal 2022. The deterioration in profitability was primarily driven by escalating manufacturing input costs for raw materials and purchased materials, higher shipping and Mexican labor wages, which increased on January 1 of both 2022 and 2023 as part of a Government mandated minimum wage increase of 22% and 20% respectively. In addition to the inflationary cost increases, the Mexican Peso strengthened against the U.S. Dollar throughout fiscal year 2023 negatively affecting the cost of our operations in Mexico. Seeking pricing recovery from our customers for the aforementioned inflationary costs was a prime focus of ours throughout fiscal year 2023. However, given the long-term nature of our supply agreements, such pricing concessions are not customary and, therefore, resulted in protracted rounds of negotiations with limited effect on our fiscal 2023 profitability. Despite the limited price concession results in fiscal 2023, we are committed to aggressively seeking a favorable resolution to these negotiations early in fiscal year 2024.

As we look to the future, the June 2023 projections from our third-party forecasting service, S&P Global, indicate that North American light vehicle production will show an increase in demand over the coming years. Model year 2023 preliminary North American vehicle build was 15.1 million. By model year, based on these projections we are expecting a 2024 vehicle build of 15.2 million vehicles, 16.1 million vehicles for 2025, and 16.6 million vehicles for 2026 and 2027. The North American vehicle build for Ford, General Motors and Stellantis reflects relative stability ranging between 6.7 million and 7.1 million vehicles each model year from 2024 through 2027 without much fluctuation between each customer. Of course, all of these forecasts are subject to variability based on what happens in the overall North American and global economies, the current levels of employment, availability of consumer credit, home equity values, fluctuating fuel prices, changes in customer vehicle and option preferences, product quality issues, including related to recall and product warranty coverage issues, and other key factors that we believe could determine whether consumers can or will purchase new vehicles or particular brands.

Fiscal 2024 Outlook

As stated above, we anticipate the 2024 North American light vehicle production, which closely aligns with our fiscal 2024 timing, to be relatively stable with a potential for modest growth. Similarly, we anticipate modest growth in our net sales on the basis of a stable industry and the launch of several new programs in the model year. From a cost of sales perspective, we anticipate some key challenges from fiscal 2023 will continue into fiscal 2024, notably a strong Mexican Peso relative to the U.S. Dollar, risk of another round of Mexican government mandated minimum wage increases in January 2024 affecting the cost of our Mexican operations, and increased purchased material costs from our suppliers. As for positive cost trends, we anticipate a continued recovery in the cost of some key raw materials, a trend which began in the second half of fiscal 2023.

With a focus to offset the anticipated aforementioned cost challenges and to improve present profitability, management is targeting the following actions in fiscal 2024:

- (1) Successfully conclude price-concession negotiations with our key customers by the end of Q2 to achieve between \$10 million and \$15 million in present program pricing improvement for the fiscal year as well as receive one-time retroactive price adjustment payments totaling between \$4 million and \$6 million
- (2) Salaried staff reduction commencing in Q1 reducing annualized spending by approximately \$2 million
- (3) Drive operational actions that reduce overhead in operations and purchase of materials by \$3 million per year
- (4) Reduce fiscal year-end inventory levels by \$10 million compared with that for fiscal 2023

We believe the successful execution of these actions together with that of our overall fiscal plan will considerably improve STRATTEC's profitability in fiscal 2024, reestablishing a solid foundation from which to grow profitability thereafter.

Results of Operations

2023 Compared to 2022

	Years Ended	
	July 2, 2023	July 3, 2022
Net Sales (millions of dollars)	\$ 492.9	\$ 452.3

Net Sales to each of our customers or customer groups in the current year and prior year were as follows (millions of dollars):

	Years Ended	
	July 2, 2023	July 3, 2022
General Motors Company	\$ 150.3	\$ 130.2
Ford Motor Company	96.6	79.7
Stellantis	78.1	83.3
Tier 1 Customers	73.3	59.3
Commercial and Other OEM Customers	56.3	65.0
Hyundai / Kia	38.3	34.8
Total	<u>\$ 492.9</u>	<u>\$ 452.3</u>

The year-over-year sales increase of \$40.6 million was due to improved global semiconductor chip availability in the current year period relative to the prior year period. Additionally, our 2023 fiscal year was 52 weeks while our 2022 fiscal year was 53 weeks. The impact of the additional week of sales during the prior year partially offset the lower net sales in the prior year from the semiconductor chip shortage and which extra week increased prior year sales by approximately \$7.4 million. The following items further impacted sales to the noted customer groups between periods:

- Sales to General Motors Company, Ford Motor Company, and Hyundai/Kia were positively impacted in the current year due to higher vehicle production volumes resulting from improved global semiconductor chip availability relative to the prior year. Sales growth to General Motors Company in the current year was attributed to higher production volumes of their GMC and Chevrolet pickup trucks and certain SUVs for which we supply a wide range of components. Increased sales to Ford Motor Company in the current year were due to higher production volumes of their F-Series Pickups including the Super Duty Pickup, for which we supply a wide range of components, and an increased percentage of the F-Series Super Duty Pickup including our power end gate product option. Sales to Hyundai / Kia increased year-over-year due to higher levels of production of the Kia Carnival minivan in the current year period as compared to the prior year period.
- The decrease in net sales to Stellantis was driven primarily by its lower production volumes related to the Chrysler Pacifica minivan, the Jeep Wrangler, Jeep Gladiator, and Dodge Ram Truck for which we supply components.
- Sales to Tier 1 Customers improved in the current year compared to the prior year due to higher vehicle production volumes relating to the improvement in semiconductor chip availability referenced above.
- Sales to Commercial and Other OEM Customers, which are comprised of aftermarket products and vehicle access control products, such as latches, fobs, driver controls and door handles, declined in the current year as compared to the prior year due to the allocation of available semiconductor chips toward the production of components for production vehicles rather than aftermarket products.

	Years Ended			
	July 2, 2023		July 3, 2022	
	Millions of Dollars	Percent of Cost of Goods Sold	Millions of Dollars	Percent of Cost of Goods Sold
Direct Material Costs	\$ 298.5	66.2%	\$ 260.8	65.8%
Labor and Overhead Costs	152.3	33.8%	135.4	34.2%
Total Cost of Goods Sold	<u>\$ 450.8</u>		<u>\$ 396.2</u>	

Total cost of goods sold increased \$54.6 million between years primarily driven by higher sales volumes in the current year as compared to the prior year as discussed above, however, both direct material costs and labor and overhead costs increased as a percent of net sales, with direct material costs growing at a higher rate, explaining the increase in its percent of cost of goods sold shown above. The increase in direct material costs between years beyond the portion that was attributed to higher net sales was driven by escalating costs of raw material and purchased components as well as a shift toward products with a higher proportion of material costs as a percent of their total cost of goods related to the aforementioned prioritization of production vehicles over aftermarket products. It is worth noting that there was an improvement in the cost of raw materials in the latter half of the current fiscal year compared with the prior year, primarily driven by reduced supplier pricing on zinc and steel.

Labor and overhead costs increased \$16.9 million between years. The variable portion of labor and overhead costs increased in the current year commensurate with the production volume increase required to support the increased sales volumes compared to the prior year. Apart from the improved fixed cost absorption associated with the higher sales compared with the prior year, labor and overhead costs were further impacted by the following:

Cost Increases:

- Mexico wages and benefits increased \$6.9 million in the current year as compared to the prior year as a result of January 1, 2022 and January 1, 2023 government mandated minimum wage increases.
- The U.S. dollar value of our Mexican operations was negatively impacted by approximately \$5.5 million in the year as compared to the prior year due to an unfavorable Mexican peso to U.S. dollar exchange rate between years. The average U.S. dollar / Mexican peso exchange rate decreased to approximately 18.98 pesos to the dollar for the year from approximately 20.33 pesos to the dollar in the prior year.
- Freight costs increased \$2.3 million between years due to an increase in fuel costs and supply chain disruptions.
- Warranty costs increased by \$2.1 million in the year as compared with the prior year due to specific warranty claims involving our product.

Cost Decreases:

- Production efficiencies that controlled headcount at our Mexico facilities combined with having one less operational week in the current fiscal year resulted in reduced labor and benefit costs of approximately \$2.1 million in the current year as compared to the prior year.
- Royalty costs paid on sales of certain aftermarket products decreased \$0.9 million in the year as compared to the prior year due to lower volumes in these aftermarket products stemming from the current semiconductor chip shortage.

	Years Ended	
	July 2, 2023	July 3, 2022
Gross Profit (millions of dollars)	\$ 42.2	\$ 56.0
Gross Profit as a percentage of net sales	8.6%	12.4%

Gross profit dollars in the current year decreased \$13.8 million as compared to the prior year driven by the aforementioned inflationary pressures on direct material and labor and overhead costs as well as by the strengthening of the Mexican peso against the U.S. dollar. The resulting decrease in gross profit as a percentage of net sales was 3.8 percentage points from the prior year to the current year.

Engineering, Selling and Administrative Expenses in the current year and prior year were as follows:

	Years Ended	
	July 2, 2023	July 3, 2022
Expenses (millions of dollars)	\$ 48.2	\$ 47.1
Expenses as a percentage of net sales	9.8%	10.4%

Engineering, selling and administrative expenses were impacted by the following:

Cost Increases:

- The current year includes higher outside expenditures on new product development costs associated with utilizing third party vendors for a portion of our development work.

- The current year includes an increase in engineering costs related to our ADAC-STRATTEC LLC door handle and exterior trim products. Such expenses are based on a percentage of ADAC-STRATTEC LLC net sales.
- The current year includes increased salary costs and increased recruiting costs for new and replacement positions.

Cost Decrease:

- The prior year included an additional week of expense as our fiscal 2022 was a 53 week year and our fiscal 2023 was a 52 week year.

Loss from operations in the current year was \$6.1 million compared to income from operations of \$8.9 million in the prior year. This change between years was the result of an increase in cost of goods sold and increased engineering, selling and administrative expenses, which were partially offset by an increase in sales in the current year as compared to the prior year, all as discussed above.

Equity earnings of joint ventures during the fiscal years ending July 2, 2023 and July 3, 2022 were \$1.6 million and \$177,000 respectively. Current year equity earnings of joint ventures includes STRATTEC's one-third of a loss on disposal of VAST LLC's investment in Brazil of \$531,000 and a gain on sale of STRATTEC's one-third share of VAST LLC of \$110,000. Effective June 30, 2023, STRATTEC entered into and completed transactions contemplated by an Equity Restructuring Agreement between STRATTEC and WITTE. Accordingly, effective as of June 30, 2023, STRATTEC sold its one-third interest in VAST LLC to WITTE. Refer to the discussion of "VAST, LLC, SPA, LLC and SPA de Mexico Equity Restructuring Agreement" above and the Equity Restructuring Agreement in Joint Ventures and Majority Owned Subsidiaries included in the Notes to Financial Statements included within this Form 10-K for additional information regarding the sale of STRATTEC's VAST LLC interest to WITTE Automotive.

Improved profitability from our VAST LLC joint venture resulted from increased net sales and increased profitability in VAST China's operations between fiscal years. VAST China's sales and profitability improved in the current year due to an improved semiconductor chip availability environment compared with that of the prior year. Additionally, during the prior year, VAST China experienced a fire at their Taicang plant. As a result, certain door handle and painting operations were temporarily transferred to their Jingzhou facility and another supplier. The transfer of production negatively impacted VAST China's profitability in the prior year. Due to a limited amount of business in both India and Brazil during fiscal 2023 the VAST LLC joint venture in India continued to have break-even operating results and the VAST LLC joint venture in Brazil continued to report losses.

Included in other (expense) income, net in the current year and prior year were the following items (thousands of dollars):

	Years Ended	
	July 2, 2023	July 3, 2022
Foreign currency transaction (loss) gain	\$ (2,935)	\$ 237
Rabbi Trust Assets gain (loss)	202	(304)
Unrealized gain on Mexican peso forward contracts	—	384
Realized gain on Mexican peso forward contracts, net	1,022	361
Pension and postretirement plans cost	(722)	(505)
Other	255	233
	<u>\$ (2,178)</u>	<u>\$ 406</u>

- Foreign currency transaction gains and losses resulted from activity associated with foreign denominated assets and liabilities held by our Mexican subsidiaries.
- The Rabbi Trust assets fund our amended and restated supplemental executive retirement plan. The investments held in the Trust are considered trading securities.
- We entered into the Mexican peso currency forward contracts during fiscal 2023 and 2022 to reduce earnings volatility resulting from changes in exchange rates affecting the U.S. dollar cost of our Mexican operations. No peso forward currency contracts are outstanding as of July 2, 2023.
- Pension and postretirement plan costs include net periodic benefit cost other than the service cost component.

Our effective income tax rate for 2023 was (16.7) percent compared to 4.5 percent in 2022. Our 2023 effective tax rate was impacted by \$2.2 million in China non-resident capital gain tax resulting from the sale of our interest in VAST LLC, a valuation allowance of \$1.4 million related to our assessment of the future realization of capital loss carryforwards generated from the sale of our interest in VAST LLC, and the impact of available R&D and foreign tax credits on pre-tax book losses. Our 2022 effective tax rate was impacted by adjustments made to the amount of our 2021 estimated foreign tax credits and estimated tax impacts associated with our investment in VAST LLC. These true-up adjustments resulted from the filing of our 2021 U.S. income tax returns during 2022 and were attributable to actual results included in non-U.S. income tax returns, which are filed on a calendar year basis, and which differ from estimates included in our 2021 tax provision. The adjustment amounts recorded during 2022 totaled \$1.0 million. Our effective tax rate for 2022 excluding these adjustments was 15.6 percent. These adjustments were not material to our previously issued financial statements. Our income tax provision for each year 2023 and 2022 was affected by the non-controlling interest portion

of our pre-tax income, Global Intangible Low Taxed Income (GILTI) provisions and R&D tax credit. The non-controlling interest impacts the effective tax rate as our ADAC-STRATTEC LLC and STRATTEC POWER ACCESS LLC entities are taxed as partnerships for U.S. tax purposes.

Liquidity and Capital Resources

Working Capital (millions of dollars)

	July 2, 2023	July 3, 2022
Current Assets	\$ 225.8	\$ 188.2
Current Liabilities	109.0	81.5
Working Capital	<u>\$ 116.8</u>	<u>\$ 106.7</u>

Outstanding Receivable Balances from Major Customers

Our primary source of cash flow is from our major customers, which include Stellantis, General Motors Company and Ford Motor Company. As of the date of filing this Annual Report with the Securities and Exchange Commission, all of our customers are making payments on their outstanding accounts receivable in accordance with the payment terms included on their purchase orders. A summary of our outstanding receivable balances from our major customers as of July 2, 2023 and July 3, 2022 was as follows (millions of dollars):

	July 2, 2023	July 3, 2022
General Motors Company	\$ 27.5	\$ 24.6
Ford Motor Company	17.4	10.6
Stellantis	14.1	12.8
	<u>\$ 59.0</u>	<u>\$ 48.0</u>

Cash Balances in Mexico

We earn a portion of our operating income in Mexico. As of July 2, 2023, \$2.2 million of our \$20.6 million cash and cash equivalents balance was held in Mexico. These funds are available for repatriation as deemed necessary.

Cash Flow Analysis

	Years Ended	
	July 2, 2023	July 3, 2022
Cash Flows from (millions of dollars):		
Operating Activities	\$ 10.1	\$ 10.4
Investing Activities	8.9	(14.3)
Financing Activities	(7.4)	(1.9)
	<u>\$ 11.6</u>	<u>\$ (5.8)</u>

Cash flow from operating activities was consistent between years as the impact of the reduction in profitability between years, as previously discussed, was offset by a net decrease in working capital requirements. The net decrease in our working capital requirements included the following working capital changes (millions of dollars):

	Increase (Decrease) in Working Capital Requirements		
	2023	2022	Change
Accounts Receivable	\$ 13.7	\$ 5.9	\$ 7.8
Inventories	(2.9)	9.6	(12.5)
Customer Tooling	10.0	3.3	6.7
Other Assets	0.5	(0.2)	0.7
Accounts Payable and Other Liabilities	(24.0)	(1.8)	(22.2)
	<u>\$ (2.7)</u>	<u>\$ 16.8</u>	<u>\$ (19.5)</u>

- Accounts receivable balances increased in both the current and prior year periods. The increase in the accounts receivable balance during the current year reflect increased sales as of the end of our fiscal 2023. The increase in accounts receivable balances during the prior year was mostly due to payments from a specific customer being made in advance of the payment

- term due dates in the prior year while current year payments from that customer were made according to the planned payment term due dates.
- The change in inventory levels reflected a decrease during the current year and an increase during the prior year. The current year decrease was due to a reduction in inventory balances to align with historical customer production patterns, mostly offset by a change in inventory management and shipping terms with a significant vendor. The prior year increase was due to an inventory build-up while our OEM customers experienced reduced production schedules due to certain part shortages, including for semiconductor chips.
 - The change in customer tooling balances, which consisted of costs incurred for the development of tooling that will be directly reimbursed by the customer whose parts are produced from the tool, was the result of the timing of tooling development spending required to meet customer production requirements and related billings for customer reimbursements.
 - The change in other assets was relatively consistent between years. The increase in value added tax recoverable balances in the current year due to several periods being open to audit in Mexico was mostly offset by a reduction in our Rabbi Trust assets of \$863,000 resulting from a current year SERP settlement and a \$627,000 reduction in our Mexico peso forward contract asset.
 - The current year increase in accounts payable and other liabilities is due to the following:
 - Accounts payable increased approximately \$14.0 million in the current year primarily due to a change in inventory management, shipping terms, and payment terms with a significant vendor and the suspension of ADAC-STRATTEC LLC's payment of engineering, research and design fees as well as a sales fees to ADAC in order to comply with ADAC-STRATTEC debt covenants.
 - Accrued salaries and benefits increased approximately \$4.7 million in the current year resulting from increased salaries and benefits for our Mexican associates.
 - Income taxes payable increased \$2.4 million in the current year primarily due to the accrual of a China non-resident capital gain tax as a result of the sale of our interest in VAST LLC.
 - Value added tax payable balances increased \$3.0 million in the current year due to several periods being open to audit in Mexico.

Net cash provided by investing activities of \$8.9 million during 2023 included proceeds from the sale of our interest in VAST LLC of \$26.2 million and a net increase in cash of \$354,000 resulting from STRATTEC's purchase of the net assets of VAST Korea. The cash inflows were partially offset by capital expenditures of \$17.4 million in support of requirements for new product programs and the upgrade and replacement of existing equipment and a \$278,000 investment in VAST LLC for the purpose of funding general operating expenses for Sistema de Acesso Veicular Ltda, VAST LLC's Brazilian joint venture. Net cash used by investing activities of \$14.3 million during 2022 included capital expenditures of \$14.2 million, which were made in support of requirements for new product programs and the upgrade and replacement of existing equipment. Net cash used by investing activities during 2022 also included an investment in VAST LLC of \$150,000 for the purpose of funding general operating expenses for Sistema de Acesso Veicular Ltda.

Net cash used in financing activities of \$7.4 million during 2023 included a payment of \$9.0 million related to STRATTEC's purchase of the remaining non-controlling interest of STRATTEC POWER ACCESS LLC from WITTE Automotive, the repayment of borrowings under credit facilities of \$15.0 million, and \$600,000 of dividend payments to non-controlling interests in our subsidiaries. These cash outflows were partially offset by additional borrowings under our credit facilities of \$17.0 million and \$183,000 received for the exercise of stock options under our stock incentive plan and purchases under our employee stock purchase plan. Net cash used in financing activities of \$1.9 million during 2022 included repayments of borrowings under credit facilities of \$14.0 million and \$1.8 million of dividend payments to non-controlling interests in our subsidiaries, partially offset by borrowings under credit facilities of \$13 million and \$908,000 received for the exercise of stock options under our stock incentive plan and purchases under our employee stock purchase plan.

Cash Requirements

Dividends

On May 13, 2020, our Board of Directors took action to temporarily suspend payment of our quarterly dividend for the foreseeable future in order to conserve cash as a result of the economic downturn that began with COVID-19. No dividends were paid to shareholders during fiscal 2023 and fiscal 2022.

Future Capital Expenditures

We anticipate capital expenditures will be approximately \$14.0 million in fiscal 2024 in support of requirements for new product programs and the upgrade and replacement of existing equipment.

Stock Repurchase Program

Our Board of Directors has authorized a stock repurchase program to buy back outstanding shares of our common stock. Shares authorized for buy back under the program totaled 3,839,395 at July 2, 2023. A total of 3,655,322 shares have been repurchased over the life of the program through July 2, 2023, at a cost of approximately \$136.4 million. No shares were repurchased during fiscal 2023 or 2022. Additional repurchases may occur from time to time and are expected to continue to be funded by cash flow from operations and current cash balances. At this time, we anticipate minimal or no stock repurchase activity in fiscal year 2024.

Other Cash Requirements

In connection with the June 30, 2023 sale of our interest in VAST LLC to WITTE Automotive, we will be required to pay nonresident capital gain tax in China. The payment, which will be made during our fiscal 2024, is expected to total approximately \$2.2 million.

We also have an operating lease for our El Paso, Texas finished goods and service parts distribution warehouse, which has a term in excess of one year. We also have purchase commitments related to zinc and other purchased parts. Refer to required future payments under the lease and purchase commitments in the discussion of Leases under Organization and Summary of Significant Accounting Policies and in the discussion of Commitments and Contingencies included in the Notes to Financial Statements included as part of Item 8 within this Form 10-K.

Credit Facilities

STRATTEC has a \$40 million secured revolving credit facility (the "STRATTEC Credit Facility") with BMO Harris Bank N.A. ADAC-STRATTEC LLC has a \$25 million secured revolving credit facility (the "ADAC-STRATTEC Credit Facility") with BMO Harris Bank N.A., which is guaranteed by STRATTEC. The credit facilities expire on August 1, 2024. Borrowings under either credit facility are secured by our U.S. cash balances, accounts receivable, inventory, and fixed assets located in the U.S. Interest on borrowings under the STRATTEC Credit Facility were at varying rates based, at our option, on LIBOR plus 1.25 percent or the bank's prime rate through February 22, 2023. Interest on borrowings under the ADAC-STRATTEC Credit Facility were at varying rates based, at our option, on LIBOR plus 1.25 percent or the bank's prime rate through February 6, 2023. Subsequent to these dates, interest on borrowings under both credit facilities were at varying rates based, at our option, on SOFR plus 1.35 percent or the bank's prime rate. Both credit facilities contain a restrictive financial covenant that requires the applicable borrower to maintain a minimum net worth level. The ADAC-STRATTEC Credit Facility includes an additional restrictive financial covenant that requires the maintenance of a minimum fixed charge coverage ratio. As of July 2, 2023, we were in compliance with all financial covenants required by these credit facilities. There were no outstanding borrowings under the STRATTEC Credit Facility as of July 2, 2023 or July 3, 2022. The average outstanding borrowings and weighted average interest rate on the STRATTEC Credit Facility loans were approximately \$15.4 million and 5.7 percent, respectively, during 2023. The average outstanding borrowings and weighted average interest rate on the STRATTEC Credit Facility loans were approximately \$332,000 and 2.0 percent, respectively, during 2022. Outstanding borrowings under the ADAC-STRATTEC Credit Facility totaled \$13 million at July 2, 2023 and \$11 million at July 3, 2022. The average outstanding borrowings and weighted average interest rate on the ADAC-STRATTEC Credit Facility loans were approximately \$12.4 million and 5.3 percent, respectively, during 2023. The average outstanding borrowings and weighted average interest rate on the ADAC-STRATTEC Credit Facility loans were approximately \$14.2 million and 1.5 percent, respectively, during 2022. We believe that the credit facilities are adequate, along with existing cash flows from operations, to meet our anticipated capital expenditure, working capital, dividend, and operating expenditure requirements.

On August 22, 2023, STRATTEC entered into an agreement, which is effective September 6, 2023, with BMO Harris Bank N.A. to renew the term of its current \$40 million secured credit facility until August 1, 2026. The two parties are working on a renewal of the \$25 million secured credit facility for ADAC-STRATTEC LLC, which is guaranteed by STRATTEC, for completion in fiscal year 2024.

Joint Ventures and Majority Owned Subsidiaries

Refer to the discussion of Investment in Joint Ventures and Majority Owned Subsidiaries and discussion of Equity Earnings of Joint Ventures included in the Notes to Financial Statements included within this Form 10-K.

Critical Accounting Policies

We believe the following represents our critical accounting policies:

Liability for Uncertain Tax Positions – We are subject to income taxation in many jurisdictions around the world. Significant management judgment is required in the accounting for income tax contingencies because the outcomes are often difficult to determine. We are required to measure and recognize uncertain tax positions that we have taken or expect to take in our income tax returns. The benefit of an uncertain tax position can only be recognized in the financial statements if management concludes that it is more likely than not that the position will be sustained with the tax authorities. For a position that is likely to be sustained, the benefit recognized in the financial statements is measured at the largest amount that is greater than 50 percent likely of being realized. A reserve is established for the difference between a position taken in an income tax return and the amount recognized in the financial statements. The amount of unrecognized benefits, that if recognized, would affect the effective tax rate was \$1.1 million at July 2, 2023 and \$1.0 million at July 3, 2022. An increase or decrease in our assessment of the recorded amount of unrecognized benefits by 10 percent would result in an increase or decrease in the reported tax provision, before the impact of interest and penalties, of \$110,000 at July 2, 2023 and \$100,000 at July 3, 2022. Refer to the discussion of Income Taxes included in the Notes to Financial Statements included as part of Item 8 within this Form 10-K.

Warranty Reserve – We have a warranty reserve recorded related to our exposure to warranty claims in the event our products fail to perform as expected, and we may be required to participate in the repair costs incurred by our customers for such products. The recorded warranty reserve balance involves judgment and estimates. Our reserve estimate is based on an analysis of historical warranty data as well as current trends and information. Actual warranty costs might differ from estimates due to the level of actual claims varying from our claims experience and estimates and final negotiations and settlements reached with our customers. Therefore, future actual claims experience could result in changes in our estimates of the required reserve. Sensitivity of potential warranty or product recall claims is dependent on the respective customer platform, volumes, production years and product content. We have product recall insurance once a recall claim exceeds \$2.5 million with a limit of \$30 million. Refer to the discussion of Warranty Reserve under Organization and Summary of Significant Accounting Policies included in the Notes to Financial Statements included as part of Item 8 within this Form 10-K.

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

New Accounting Standards

Refer to the discussion of New Accounting Standards under Organization and Summary of Significant Accounting Policies included in the Notes to Financial Statements included as part of Item 8 within this Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of STRATTEC SECURITY CORPORATION

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of STRATTEC SECURITY CORPORATION and subsidiaries (the "Company") as of July 2, 2023, the related consolidated statements of (loss) income and comprehensive (loss) income, shareholders' equity, and cash flows, for the fiscal year ended July 2, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of July 2, 2023, and the results of its operations and its cash flows for the fiscal year ended July 2, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of July 2, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 7, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Warranty Reserve – Refer to the Notes to the Financial Statements

Critical Audit Matter Description

The Company records a reserve for known and potential exposure to warranty claims in the event its products fail to perform as expected and in the event it may be required to participate in the repair costs incurred by its customers for such products. At July 2, 2023, the Company's warranty reserve was \$9.7 million.

The warranty reserve is estimated based on management's analysis of historical warranty data, current trends and information, known and projected claims for products sold, and the terms of specific agreements. The warranty reserve requires management to apply significant judgment to develop its estimate. Actual warranty costs may differ from management's estimated costs as a result of, but not limited to, negotiation with customers, changes to the assumptions of repair and/or replacement costs, and changes in trends in product performance. Such matters may require future adjustments to the reserve which could be material.

We identified the warranty reserve as a critical audit matter because estimating future warranty costs requires significant judgment by management. Auditing management's assumptions about management's estimated future warranty costs involves a high degree of auditor judgment and an increased extent of effort to evaluate the reasonableness of management's estimates.

Our audit procedures related to the determination of the warranty reserve included the following, among others:

- We tested the effectiveness of internal controls relating to management's process for developing the assumptions and inputs used to estimate the warranty reserve.
- We evaluated the methods and significant assumptions, including the frequency and average cost of warranty claims, used by management to estimate the warranty reserve by:
 - o Evaluating the methodology used to determine the reserve in order to understand how key assumptions were developed.
 - o Testing the accuracy of the underlying data that served as the basis for the analysis, including the historical claims and settlements paid on those claims.
 - o Testing the completeness of the warranty reserve by conducting interviews of operational and executive management regarding knowledge of known product warranty claims or product issues and evaluating whether they were appropriately considered in the determination of the warranty reserve.
 - o Evaluating management's ability to accurately estimate the warranty reserve by comparing the product warranty reserve in prior years to the actual product warranty claims paid in the subsequent years.
 - o Comparing the warranty reserve to industry data to assess the reasonableness of management's estimate in comparison to recent trends in actual warranty claims.
 - o Developing an independent expectation of the Company's warranty reserve and comparing it to management's estimate to evaluate the reasonableness of the estimate.

/s/ Deloitte & Touche LLP

Milwaukee, Wisconsin
September 7, 2023

We have served as the Company's auditor since 2023.

REPORT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

Shareholders and the Board of Directors of STRATTEC SECURITY CORPORATION
Milwaukee, Wisconsin

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of STRATTEC SECURITY CORPORATION (the "Company") as of July 3, 2022, the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for the year ended July 3, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of July 3, 2022, and the results of its operations and its cash flows for the year ended July 3, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Crowe LLP

We served as the Company's auditor from fiscal year 2021 to 2022.

Oak Brook, Illinois
September 8, 2022

**CONSOLIDATED STATEMENTS OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)**

	Years Ended	
	July 2, 2023	July 3, 2022
NET SALES	\$ 492,946	\$ 452,265
Cost of goods sold	450,794	396,249
GROSS PROFIT	42,152	56,016
Engineering, selling, and administrative expenses	48,241	47,119
(LOSS) INCOME FROM OPERATIONS	(6,089)	8,897
Equity earnings of joint ventures	1,559	177
Interest expense	(960)	(221)
Other (expense) income, net	(2,178)	406
(LOSS) INCOME BEFORE BENEFIT FOR INCOME TAXES AND NON-CONTROLLING INTEREST	(7,668)	9,259
Provision for income taxes	1,281	415
NET (LOSS) INCOME	(8,949)	8,844
Net (loss) income attributable to non-controlling interest	(2,279)	1,828
NET (LOSS) INCOME ATTRIBUTABLE TO STRATTEC SECURITY CORPORATION	\$ (6,670)	\$ 7,016
COMPREHENSIVE (LOSS) INCOME:		
NET (LOSS) INCOME	\$ (8,949)	\$ 8,844
Currency translation adjustments, net of tax	6,164	(2,318)
Pension and postretirement plans, net of tax	689	376
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	6,853	(1,942)
COMPREHENSIVE (LOSS) INCOME	(2,096)	6,902
Comprehensive income attributable to non-controlling interest	180	1,560
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO STRATTEC SECURITY CORPORATION	\$ (2,276)	\$ 5,342
(LOSS) INCOME PER SHARE ATTRIBUTABLE TO STRATTEC SECURITY CORPORATION:		
Basic	\$ (1.70)	\$ 1.82
Diluted	\$ (1.70)	\$ 1.79
AVERAGE SHARES OUTSTANDING:		
Basic	3,921	3,861
Diluted	3,921	3,910

The accompanying Notes to Financial Statements are an integral part of these Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS AND PER SHARE AMOUNTS)

	July 2, 2023	July 3, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 20,571	\$ 8,774
Receivables, less allowance for doubtful accounts of \$500 at July 2, 2023 and July 3, 2022	89,811	75,827
Inventories, net	77,597	80,482
Customer tooling in progress, net	20,800	10,828
Income taxes recoverable	2,711	2,492
Value added tax recoverable	7,912	4,518
Other current assets	6,380	5,311
Total current assets	225,782	188,232
INVESTMENT IN JOINT VENTURES	—	26,654
DEFERRED INCOME TAXES	13,619	7,081
OTHER LONG-TERM ASSETS	7,083	5,438
PROPERTY, PLANT AND EQUIPMENT, NET	94,446	91,729
	\$ 340,930	\$ 319,134
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 57,927	\$ 43,950
Accrued liabilities:		
Payroll and benefits	22,616	17,959
Value added tax payable	6,499	3,454
Income tax payable	2,607	249
Environmental	1,390	1,390
Warranty	9,725	8,100
Other	8,222	6,427
Total current liabilities	108,986	81,529
Commitments and Contingencies – see note beginning on page 51		
BORROWINGS UNDER CREDIT FACILITIES	13,000	11,000
ACCRUED PENSION OBLIGATIONS	1,206	1,259
ACCRUED POSTRETIREMENT OBLIGATIONS	1,157	1,329
OTHER LONG-TERM LIABILITIES	5,557	4,070
SHAREHOLDERS' EQUITY:		
Common stock, authorized 18,000,000, \$.01 par value, issued 7,530,170 shares at July 2, 2023 and 7,481,169 shares at July 3, 2022	75	75
Capital in excess of par value	100,309	101,524
Retained earnings	234,299	240,969
Accumulated other comprehensive loss	(14,194)	(18,588)
Less: Treasury stock at cost (3,601,124 shares at July 2, 2023 and 3,604,466 shares at July 3, 2022)	(135,526)	(135,580)
Total STRATTEC SECURITY CORPORATION shareholders' equity	184,963	188,400
Non-controlling interest	26,061	31,547
Total shareholders' equity	211,024	219,947
	\$ 340,930	\$ 319,134

The accompanying Notes to Financial Statements are an integral part of these Consolidated Balance Sheets.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Total Shareholders' Equity	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensiv e Loss	Treasury Stock	Non- controlling interest
BALANCE June 27, 2021	<u>\$ 212,797</u>	<u>\$ 74</u>	<u>\$ 99,512</u>	<u>\$ 233,953</u>	<u>\$ (16,914)</u>	<u>\$ (135,615)</u>	<u>\$ 31,787</u>
Net income	8,844	—	—	7,016	—	—	1,828
Currency translation adjustments	(2,318)	—	—	—	(2,050)	—	(268)
Pension and postretirement funded status adjustment, net of tax of \$96	376	—	—	—	376	—	—
Cash dividends paid to non-controlling interests of subsidiaries	(1,800)	—	—	—	—	—	(1,800)
Stock-based compensation	1,140	—	1,140	—	—	—	—
Stock option exercises	827	1	826	—	—	—	—
Employee stock purchases	81	—	46	—	—	35	—
BALANCE July 3, 2022	<u>\$ 219,947</u>	<u>\$ 75</u>	<u>\$ 101,524</u>	<u>\$ 240,969</u>	<u>\$ (18,588)</u>	<u>\$ (135,580)</u>	<u>\$ 31,547</u>
Net loss	(8,949)	—	—	(6,670)	—	—	(2,279)
Currency translation adjustments	6,164	—	—	—	3,705	—	2,459
Pension and postretirement funded status adjustment, net of tax of \$212	689	—	—	—	689	—	—
Cash dividends paid to non-controlling interests of subsidiaries	(600)	—	—	—	—	—	(600)
Purchase of SPA Non-controlling interest	(7,877)	—	(2,811)	—	—	—	(5,066)
Stock-based compensation	1,466	—	1,466	—	—	—	—
Stock option exercises	109	—	109	—	—	—	—
Employee stock purchases	75	—	21	—	—	54	—
BALANCE July 2, 2023	<u>\$ 211,024</u>	<u>\$ 75</u>	<u>\$ 100,309</u>	<u>\$ 234,299</u>	<u>\$ (14,194)</u>	<u>\$ (135,526)</u>	<u>\$ 26,061</u>

The accompanying Notes to Financial Statements are an integral part of these Consolidated Statements of Shareholders' Equity.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)**

	Years Ended	
	July 2, 2023	July 3, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$ (8,949)	\$ 8,844
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Equity earnings of joint ventures	(1,559)	(177)
Depreciation	17,485	19,379
Foreign currency transaction loss (gain)	2,935	(237)
Unrealized gain on peso forward contracts	—	(384)
Loss on settlement of pension obligation	217	—
Deferred income taxes	(4,937)	(1,986)
Stock-based compensation expense	1,466	1,140
Change in operating assets and liabilities:		
Receivables	(13,696)	(5,935)
Inventories	2,885	(9,622)
Other assets	(10,483)	(3,074)
Accounts payable and accrued liabilities	23,964	1,811
Other, net	767	677
Net cash provided by operating activities	<u>10,095</u>	<u>10,436</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in joint ventures	(278)	(150)
Proceeds from Sale of interest in VAST LLC	26,170	—
Purchase of VAST Korea net assets	354	—
Additions to property, plant and equipment	(17,370)	(14,188)
Proceeds received on sale of property, plant and equipment	25	5
Net cash provided by (used in) investing activities	<u>8,901</u>	<u>(14,333)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under credit facilities	17,000	13,000
Repayments under credit facilities	(15,000)	(14,000)
Purchase of SPA non-controlling interest	(9,019)	—
Exercise of stock options and employee stock purchases	183	908
Dividends paid to non-controlling interests of subsidiaries	(600)	(1,800)
Net cash used in financing activities	<u>(7,436)</u>	<u>(1,892)</u>
FOREIGN CURRENCY IMPACT ON CASH	237	98
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,797	(5,691)
CASH AND CASH EQUIVALENTS		
Beginning of year	8,774	14,465
End of year	<u>\$ 20,571</u>	<u>\$ 8,774</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash (Recovered) Paid During the Period For:		
Income taxes	\$ 2,759	\$ (842)
Interest	\$ 890	\$ 230
Non-Cash Investing Activities:		
Purchase price receivable from sale of interest in VAST LLC	\$ (2,000)	\$ —
Change in capital expenditures in accounts payable	\$ (1,437)	\$ 1,297

The accompanying Notes to Financial Statements are an integral part of these Consolidated Statements of Cash Flows.

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

STRATTEC SECURITY CORPORATION designs, develops, manufactures and markets automotive access control products including mechanical locks and keys, electronically enhanced locks and keys, fobs, passive entry passive start systems (PEPS), steering column and instrument panel ignition lock housings, latches, power sliding side door systems, power tailgate systems, power lift gate systems, power deck lid systems, door handles and related products for primarily North American automotive customers. We also supply global automotive manufacturers through a strategic relationship with WITTE Automotive (“WITTE”) of Velbert, Germany and ADAC Automotive (“ADAC”) of Grand Rapids, Michigan. Under this relationship, STRATTEC, WITTE and ADAC market the products of each company to global customers under the “VAST Automotive Group” brand name (as more fully described herein). STRATTEC products are shipped to customer locations in the United States, Canada, Mexico, Europe, South America, Korea, China and India, and we, along with our VAST LLC partners, provide full service and aftermarket support for each VAST Automotive Group partner’s products. As noted below, effective as of June 30, 2023 we sold our one-third ownership interest in VAST LLC to WITTE and entered into a cooperation framework agreement with WITTE related to VAST LLC which provides a framework for the parties to collaborate on global programs related to product development and manufacturing.

The accompanying consolidated financial statements reflect the consolidated results of STRATTEC SECURITY CORPORATION, its wholly owned Mexican subsidiary, STRATTEC de Mexico, and its majority owned subsidiaries, ADAC-STRATTEC, LLC and STRATTEC POWER ACCESS LLC. Effective June 30, 2023, STRATTEC POWER ACCESS LLC became a wholly owned subsidiary of STRATTEC SECURITY CORPORATION as a result of the purchase of the remaining non-controlling interest. STRATTEC SECURITY CORPORATION is located in Milwaukee, Wisconsin. STRATTEC de Mexico is located in Juarez, Mexico. ADAC-STRATTEC, LLC and STRATTEC POWER ACCESS LLC have operations in El Paso, Texas and in Juarez and Leon, Mexico. Effective June 30, 2023, we sold our equity investment in Vehicle Access Systems Technology to WITTE. Prior to the sale, equity investments in Vehicle Access Systems Technology LLC (“VAST LLC”) for which we exercised significant influence but did not control and were not variable interest entities of STRATTEC, were accounted for using the equity method. VAST LLC consisted primarily of four wholly owned subsidiaries in China, one wholly owned subsidiary in Brazil and one joint venture entity in India. The results of the VAST LLC foreign subsidiaries and joint venture were reported on a one-month lag basis. We have only one reporting segment.

During December 2022, management determined that a previously unrecorded liability for postretirement death benefits was required to be recognized in accordance with ASC 715. Eligible participants for this death benefit include all salaried retirees who retired prior to October 1, 2001 and all hourly retirees who were hired prior to June 27, 2005 and retired prior to January 1, 2010. As such, this actuarially calculated liability and the unrecognized actuarial losses impacting Accumulated Other Comprehensive Loss are reported in the Consolidated Balance Sheets. Additionally, interest cost and amortization of actuarial losses are reported in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

Additionally, management identified a correction to previously reported Equity Earnings of Joint Ventures in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income, which correction also impacts the previously reported Investment in Joint Ventures amount reported in the Consolidated Balance Sheets. While prior period amounts have been corrected for comparability, the corrections for both of these items, both individually and in total, were not material to the previously reported consolidated financial statements.

The impact of the prior period corrections on the Consolidated Balance Sheets, the related components of Stockholders' Equity, and the related components of Accumulate Other Comprehensive Loss is as follows (thousands of dollars):

	July 3, 2022		
	Previously Reported	Adjustment	As Reported
ASSETS			
Investment in joint ventures	\$ 26,344	\$ 310	\$ 26,654
Deferred income taxes	6,937	144	7,081
Total assets	\$ 318,680	<u>\$ 454</u>	\$ 319,134
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accrued Liabilities: Payroll and benefits			
	\$ 17,905	<u>\$ 54</u>	\$ 17,959
Total current liabilities	81,475	54	81,529
Accrued postretirement obligations	463	866	1,329
Retained earnings	241,504	(535)	240,969
Accumulated other comprehensive loss	(18,657)	<u>69</u>	(18,588)
Total STRATTEC SECURITY CORPORATION shareholders' equity			
	188,866	<u>(466)</u>	188,400
Total shareholders' equity	220,413	<u>(466)</u>	219,947
Total liabilities and shareholders' equity	\$ 318,680	<u>\$ 454</u>	\$ 319,134
Accumulated Other Comprehensive Loss:			
Foreign currency translation adjustments	\$ (16,723)	\$ (10)	\$ (16,733)
Retirement and Postretirement Benefit Plans	(1,934)	<u>79</u>	(1,855)
Accumulated other comprehensive loss	\$ (18,657)	<u>\$ 69</u>	\$ (18,588)
June 27, 2021			
	Previously Reported	Adjustment	As Reported
Retained earnings	\$ 234,472	\$ (519)	\$ 233,953
Accumulated other comprehensive loss	(16,797)	<u>(117)</u>	(16,914)
Total STRATTEC SECURITY CORPORATION shareholders' equity			
	181,646	<u>(636)</u>	181,010
Total shareholders' equity	\$ 213,433	<u>\$ (636)</u>	\$ 212,797
Accumulated Other Comprehensive Loss:			
Foreign currency translation adjustments	\$ (14,685)	\$ 2	\$ (14,683)
Retirement and Postretirement Benefit Plans	(2,112)	<u>(119)</u>	(2,231)
Accumulated other comprehensive loss	\$ (16,797)	<u>\$ (117)</u>	\$ (16,914)

The impact of the prior period corrections on the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income is as follows (thousands of dollars):

	Year Ended July 3, 2022		
	Previously Reported	Adjustment	As Reported
Equity earnings of joint ventures	\$ 181	\$ (4)	\$ 177
Other income (expense), net	423	(17)	406
Income before provision for income taxes and non-controlling interest	9,280	(21)	9,259
Provision for income taxes	420	(5)	415
Net income	8,860	(16)	8,844
Net income attributed to STRATTEC SECURITY CORPORATION	\$ 7,032	\$ (16)	\$ 7,016
Comprehensive Income:			
Net income	\$ 8,860	\$ (16)	\$ 8,844
Currency translation adjustments, net of tax	(2,306)	(12)	(2,318)
Pension and postretirement plans, net of tax	178	198	376
Other comprehensive income (loss), net of tax	(2,128)	186	(1,942)
Comprehensive income	6,732	170	6,902
Comprehensive income attributed to STRATTEC SECURITY CORPORATION	\$ 5,172	\$ 170	\$ 5,342
Earnings per share attributed to STRATTEC SECURITY CORPORATION: diluted			
	\$ 1.80	\$ (0.01)	\$ 1.79

The correction of prior period amounts had no impact on total operating, investing, and financing activities on the Consolidated Statements of Cash Flows for the year ended July 3, 2022. In conjunction with the correction of the prior period amounts, the following footnotes, which were impacted by the above adjustments, were also corrected: Shareholders' Equity, Other (Expense) Income, net, Earnings Per Share, Pension and Postretirement Benefits, and Accumulated Other Comprehensive Loss.

Reclassifications: For consistency with current year presentation, reclassifications have been made to the Consolidated Balance Sheet for the fiscal year ended July 3, 2022 in order to separately state Value Added Tax Recoverable and Value Added Tax Payable. These reclassifications had no effect on the reported results of operations and cash flows.

Risks and Uncertainties: Due to the evolving global economic conditions since 2020, initially as a result of the COVID-19 pandemic, the automotive industry experienced a decline in global customer sales and production volumes. Although industry production has recovered modestly, production remains well below recent historic levels. Moreover, since 2020, industry and economic conditions have been influenced directly and indirectly by macroeconomic events such as the COVID-19 pandemic and, beginning in February 2022, the Russia-Ukraine conflict, resulting in unfavorable conditions. These conditions have severely restricted the level of economic activity in many countries, and continue to adversely impact global economic activity, including with respect to customer purchasing actions and supply chain continuity and disruption, and in particular the supply of semiconductor chips, transponders and related components to the automotive industry.

STRATTEC's operating performance is subject to global economic conditions, inflationary pressures and levels of consumer spending specifically within the automotive industry. Our 2022 net sales were negatively impacted by a global semiconductor chip shortage (especially as it relates to the automotive industry). Additionally, inflationary pressures resulted in increased raw material and purchased part costs as well as increased wage rates in Mexico beginning in calendar 2021. Such increases negatively impacted our 2023 and 2022 operating results.

Inflationary pressures in the U.S. and global economy continue to adversely impact our operating results and may continue to impact the supply chain and our operations, including impacting our customers, workforce and suppliers, any of which may continue to disrupt and limit sourcing of semiconductor chips, transponders and other critical supply chain components needed by us and our customers to meet expected production schedules. Moreover, these events may continue to create added inflationary pressures on our operations, including related to wages and the prices of raw materials and purchased parts. All of these foregoing matters, including their scope and duration are uncertain and cannot be predicted as to timing and cost impacts. These changing conditions may also affect the estimates and assumptions made by our management in our financial statements. Such estimates and assumptions affect, among other things, our long-lived asset valuations, assessment of our annual effective tax rate, valuation of deferred income taxes, assessment of excess and obsolete inventory reserves, and assessment of collectability of trade receivables.

Significant Accounting Policies: The significant accounting policies followed in the preparation of these financial statements, as summarized in the following paragraphs, are in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Principles of Consolidation and Presentation: The accompanying consolidated financial statements include the accounts of STRATTEC SECURITY CORPORATION, its wholly owned Mexican subsidiary and its majority owned subsidiaries. Equity investments for which STRATTEC exercises significant influence but does not control and are not variable interest entities of STRATTEC are accounted for using the equity method. All significant inter-company transactions and balances have been eliminated.

New Accounting Standards: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*. The update revises the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. Originally, the update was effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. In November 2019, FASB issued ASU 2019-10, *Financial Instruments – Credit Losses, Derivatives and Hedging, and Leases*. This ASU defers the effective date of ASU 2016-13 for public companies that are considered smaller reporting companies as defined by the SEC to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. We are planning to adopt this standard in the first quarter of our fiscal 2024. The adoption of this pronouncement will not have a material impact on our consolidated financial statements.

Subsequent Event: On August 22, 2023, STRATTEC entered into an agreement, which is effective September 6, 2023, with BMO Harris Bank N.A. to renew the term of its current \$40 million secured credit facility until August 1, 2026. Under the terms of the new agreement, interest on borrowings under the credit facility will be at varying rates based, at our option, on Term SOFR plus 1.85 percent or the bank's prime rate. Refer to the discussion of Credit Facilities herein.

Fiscal Year: Our fiscal year ends on the Sunday nearest June 30. The year ended July 2, 2023 is comprised of 52 weeks. The year ended July 3, 2022 is comprised of 53 weeks.

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the periods presented. These estimates and assumptions could also affect the disclosure of contingencies. Actual results and outcomes may differ from management's estimates and assumptions.

Cash and Cash Equivalents: Cash and cash equivalents include all short-term investments with an original maturity of three months or less due to the short-term nature of the instruments. Excess cash balances are placed in short-term commercial paper and short-term certificates of deposit.

Derivative Instruments: We own and operate manufacturing operations in Mexico. As a result, a portion of our manufacturing costs are incurred in Mexican pesos, which causes our earnings and cash flows to fluctuate due to changes in the U.S. dollar/Mexican peso exchange rate. During 2022 and 2023, we had contracts with Bank of Montreal that provide for monthly Mexican peso currency forward contracts for a portion of our estimated peso denominated operating costs. Our objective in entering into currency forward contracts is to minimize our earnings volatility resulting from changes in exchange rates affecting the U.S. dollar cost of our Mexican operations. The Mexican peso forward contracts are not used for speculative purposes and are not designated as hedges. As a result, all currency forward contracts are recognized in our accompanying consolidated financial statements at fair value and changes in the fair value are reported in current earnings as part of Other (Expense) Income, net. No Mexican peso forward contracts were outstanding as of July 2, 2023.

The fair market value of all outstanding Mexican peso forward contracts in the accompanying Consolidated Balance Sheets was as follows (thousands of dollars):

	July 2, 2023	July 3, 2022
Not designated as hedging instruments:		
Other current assets:		
Mexican peso forward contracts	\$ —	\$ 627

The pre-tax effects of the Mexican peso forward contracts on the accompanying Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income consisted of the following (thousands of dollars):

	Other (Expense) Income, net	
	Years Ended	
	July 2, 2023	July 3, 2022
Not Designated as Hedging Instruments:		
Realized gain	\$ 1,022	\$ 434
Realized (loss)	\$ —	\$ (73)
Unrealized gain	\$ —	\$ 384

Fair Value of Financial Instruments: The fair value of our cash and cash equivalents, accounts receivable, accounts payable and borrowings under our credit facilities approximated their book value as of July 2, 2023 and July 3, 2022. Fair value is defined as the exchange price that would be received for an asset or paid for a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. There is an established fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable. Level 1 – Quoted prices in active markets for identical assets or liabilities. These are typically obtained from real-time quotes for transactions in active exchange markets involving identical assets. Level 2 – Inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. These are typically obtained from readily-available pricing sources for comparable instruments. Level 3 – Unobservable inputs, where there is little or no market activity for the asset or liability. These inputs reflect the reporting entity’s own assumptions of the data that market participants would use in pricing the asset or liability, based on the best information available in the circumstances. The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis as of July 2, 2023 and July 3, 2022 (thousands of dollars):

	July 2, 2023				July 3, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Rabbi Trust assets:								
Stock index funds:								
Small cap	\$ 161	\$ —	\$ —	\$ 161	\$ 142	\$ —	\$ —	\$ 142
Mid cap	327	—	—	327	291	—	—	291
Large cap	492	—	—	492	416	—	—	416
International	503	—	—	503	447	—	—	447
Fixed income funds	1,022	—	—	1,022	1,023	—	—	1,023
Cash and cash equivalents	—	113	—	113	—	961	—	961
Mexican peso forward contracts	—	—	—	—	—	627	—	627
Total assets at fair value	<u>\$ 2,505</u>	<u>\$ 113</u>	<u>\$ —</u>	<u>\$ 2,618</u>	<u>\$ 2,319</u>	<u>\$ 1,588</u>	<u>\$ —</u>	<u>\$ 3,907</u>

The Rabbi Trust assets fund our supplemental executive retirement plan and are included in Other Long-Term Assets in the accompanying Consolidated Balance Sheets as of July 2, 2023. Of the July 3, 2022 \$3.3 million Rabbi Trust asset balance, \$863,000 was included in Other Current Assets and \$2.4 million was included in Other Long-Term Assets in the accompanying Consolidated Balance Sheets. Refer to discussion of Mexican peso forward contracts under Derivative Instruments above. The fair value of the Mexican peso forward contracts considers the remaining term, current exchange rate and interest rate differentials between the two currencies.

Receivables: Receivables consist primarily of trade receivables due from Original Equipment Manufacturers in the automotive industry and locksmith/dealership distributors relating to our service and aftermarket sales. We evaluate the collectability 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 the past due items, general economic conditions (including with respect to the impact of the Ukraine conflict and the supply chain disruptions on our customers) and the industry as a whole. The allowance for doubtful accounts totaled \$500,000 at July 2, 2023 and July 3, 2022.

Inventories: Inventories are comprised of material, direct labor and manufacturing overhead, and are stated at net realizable value using the first-in, first-out (“FIFO”) cost method of accounting. Inventories consisted of the following (thousands of dollars):

	July 2, 2023	July 3, 2022
Finished products	\$ 17,196	\$ 19,499
Work in process	17,492	18,263
Purchased materials	50,024	48,209
	<u>84,712</u>	<u>85,971</u>
Excess and obsolete reserve	(7,115)	(5,489)
Inventories, net	<u>\$ 77,597</u>	<u>\$ 80,482</u>

We record a reserve for excess and obsolete inventory based on historical and estimated future demand and market conditions. The reserve level is determined by comparing inventory levels of individual materials and parts to historical usage and estimated future sales by analyzing the age of the inventory in order to identify specific materials and parts that are unlikely to be sold. Technical obsolescence and other known factors are also considered in evaluating the reserve level. The activity related to the excess and obsolete inventory reserve was as follows (thousands of dollars):

	Balance, Beginning of Year	Provision Charged to Expense	Amounts Written Off / (Recoveries)	Balance, End of Year
Year ended July 2, 2023	\$ 5,489	\$ 1,457	\$ (169)	\$ 7,115
Year ended July 3, 2022	\$ 5,380	\$ 962	\$ 853	\$ 5,489

Customer Tooling in Progress: We incur costs related to tooling used in component production and assembly. Costs for development of certain tooling, which will be directly reimbursed by the customer whose parts are produced from the tool, are accumulated on the balance sheet and are then billed to the customer. The accumulated costs are billed upon formal acceptance by the customer of products produced with the individual tool. Other tooling costs are not directly reimbursed by the customer. We capitalize and amortize these other tooling costs over the life of the related product based on the fact that the related tool will be used over the life of the supply arrangement. To the extent that estimated costs exceed expected reimbursement from the customer we recognize a loss.

Property, Plant and Equipment: Property, plant and equipment are stated at cost. Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Classification	Expected Useful Lives
Land improvements	20 years
Buildings and improvements	15 to 35 years
Machinery and equipment	3 to 15 years

Property, plant and equipment consisted of the following (thousands of dollars):

	July 2, 2023	July 3, 2022
Land and improvements	\$ 6,963	\$ 6,041
Buildings and improvements	41,218	37,158
Machinery and equipment	251,995	235,050
	<u>300,176</u>	<u>278,249</u>
Less: accumulated depreciation	(205,730)	(186,520)
	<u>\$ 94,446</u>	<u>\$ 91,729</u>

Depreciation expense was as follows for the periods indicated (thousands of dollars):

Fiscal Year	Depreciation Expense	
2023	\$	17,485
2022	\$	19,379

The gross and net book value of property, plant and equipment located outside of the United States, primarily in Mexico, were as follows (thousands of dollars):

	July 2, 2023	July 3, 2022
Gross book value	\$ 178,592	\$ 159,909
Net book value	\$ 68,240	\$ 64,645

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such indicators are present, the recoverability of assets to be held and used is assessed by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If an asset is determined to not be recoverable, the impairment recognized is calculated as the excess of the carrying amount of the asset over the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less estimated costs to sell. There were no impairments recorded in the years ended July 2, 2023 or July 3, 2022.

Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for major renewals and betterments, which significantly extend the useful lives of existing plant and equipment, are capitalized and depreciated. Upon retirement or disposition of plant and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income.

Leases: Our right-of-use operating lease assets are recorded at the present value of future minimum lease payments, net of amortization. We have an operating lease for our El Paso, Texas finished goods and service parts distribution warehouse. During fiscal 2023, the El Paso warehouse lease was amended, which resulted in a lease modification that changed future payments for the existing premises. The amended lease has a current lease term through December 2028. The lease does not contain an option to extend the lease term, material residual value guarantees or restrictive covenants. Operating lease expense is recognized on a straight-line basis over the lease term.

As the lease does not provide an implicit rate, we used our incremental borrowing rate at lease commencement to determine the present value of our lease payments. The incremental borrowing rate is an entity-specific rate which represents the rate of interest we would pay to borrow over a similar term with similar payments.

The operating lease asset and obligation related to our El Paso warehouse lease included in the accompanying Consolidated Balance Sheets are presented below (thousands of dollars):

	July 2, 2023	July 3, 2022
Right-of-Use Asset Under Operating Lease:		
Other Long-Term Assets	\$ 4,465	\$ 3,021
Lease Obligation Under Operating Lease:		
Current Liabilities: Accrued Liabilities: Other	\$ 465	\$ 403
Other Long-Term Liabilities	4,000	2,618
	<u>\$ 4,465</u>	<u>\$ 3,021</u>

Future minimum lease payments, by our fiscal year, including options to extend that are reasonably certain to be exercised, under the non-cancelable lease are as follows as of July 2, 2023 (thousands of dollars):

2024	\$	730
2025		941
2026		988
2027		1,037
Thereafter		1,647
Total Future Minimum Lease Payments		<u>5,343</u>
Less: Imputed Interest		<u>(878)</u>
Total Lease Obligations	\$	<u>4,465</u>

Cash flow information related to the operating lease is shown below (thousands of dollars):

	Years Ended	
	July 2, 2023	July 3, 2022
Operating Cash Flows:		
Cash Paid Related to Operating Lease Obligation	\$ 497	\$ 484

The weighted average remaining lease term and discount rate for the El Paso, Texas operating lease are shown below:

	July 2, 2023	July 3, 2022
Weighted Average Remaining Lease Term, (in years)	5.5	6.3
Weighted Average Discount Rate	6.2 %	3.3 %

Operating lease expense for the years ended July 2, 2023 and July 3, 2022 totaled \$497,000 and \$484,000, respectively.

Supplier Concentrations: The following inventory purchases were made from major suppliers during each fiscal year noted:

Fiscal Year	Percentage of Inventory Purchases	Number of Suppliers
2023	39 %	6
2022	38 %	6

We have long-term contracts or arrangements with most of our suppliers to assist in guaranteeing the availability of raw materials and component parts.

Labor Concentrations: We had approximately 3,361 full-time associates as of July 2, 2023. Approximately 178 or 5.3 percent of our full time associates were represented by a labor union at July 2, 2023 at our Milwaukee facility, which associates account for all production associates at our Milwaukee, WI facility. The current contract with our Milwaukee unionized associates is effective through November 1, 2025. Additionally, approximately 102 or 3.0 percent of our full time associates were represented by a labor union at our Leon, Mexico facility. The current contract with our Leon unionized associates is effective through April 8, 2024.

Revenue Recognition: We generate revenue from the production of parts sold to automotive and light-truck Original Equipment Manufacturers (“OEMs”), or Tier 1 suppliers at the direction of the OEM, under long-term supply agreements supporting new vehicle production. Such agreements also require related production of service parts subsequent to the initial vehicle production periods. Additionally, we generate revenue from the production of parts sold in aftermarket service channels and to non-automotive commercial customers.

Revenue Recognition:

Our contracts with customers under long-term supply agreements do not commit the customer to a specified quantity of parts. However, we are generally required to fulfill our customers’ purchasing requirements for the production life of the vehicle. Contracts do not become a performance obligation until we receive either a purchase order and/or customer release for a specific number of parts at a specified price. While long-term supply agreements may range from four to six years for new vehicle production and ten to fifteen subsequent years for service parts production, contracts may be terminated by customers at any time. Historically, terminations have been minimal. Contracts may also provide for annual price reductions over the production life of the vehicle, and prices are adjusted on an ongoing basis to reflect changes in product content/cost and other commercial factors.

Revenue is recognized at a point in time when control of the parts produced are transferred to the customer according to the terms of the contract, which is usually when the parts are shipped or delivered to the customer’s premises. Customers are generally invoiced upon shipment or delivery and payment generally occurs within 45 to 90 days after the shipment date. The amount of revenue recognized reflects the consideration that we expect to be entitled to receive in exchange for those products based on purchase orders, annual price reductions and ongoing price adjustments, some of which are accounted for as variable consideration. We use the most likely amount method, the single most likely outcome of the contract, to estimate the amount to which we expect to be entitled. There were no significant changes to our estimates of variable consideration during the reporting periods referenced in our accompanying financial statements and significant changes to our estimates of variable consideration are not expected in future periods.

We do not have an enforceable right to payment at any time prior to when the parts are shipped or delivered to the customer. Therefore, we recognize revenue at the point in time we satisfy a performance obligation by transferring control of a part to a customer. Amounts billed to customers related to shipping and handling costs are included in Net Sales in the accompanying Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. Shipping and handling costs are accounted for as fulfillment costs and are included in Cost of Goods Sold in the accompanying Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

Tooling and Pre-Production Engineering Costs Related to Long-Term Supply Arrangements:

We incur pre-production engineering and tooling costs related to the products produced for our customers under long-term supply agreements. Customer reimbursements for tooling and pre-production engineering activities that are part of a long-term supply arrangement are accounted for as a reduction of cost in accordance with ASC 340, Other Assets and Deferred Costs. Pre-production costs related to long-term supply agreements with a contractual guarantee for reimbursement are included in Other Current Assets in the accompanying Consolidated Balance Sheets. We expense all pre-production engineering costs for which reimbursement is not contractually guaranteed by the customer. All pre-production tooling costs related to customer-owned tools for which reimbursement is not contractually guaranteed by the customer or for which we do not have a non-cancelable right to use the tooling is also expensed when incurred.

Receivables, net:

Receivables, net include amounts billed and currently due from customers. We maintain an allowance for doubtful accounts to provide for estimated amounts of receivables not expected to be collected. We continually assess our receivables for collectability and any allowance is recorded based upon age of the outstanding receivables, historical payment experience, customer creditworthiness and general economic conditions.

Contract Balances:

We had no material contract assets or contract liabilities as of July 2, 2023 or July 3, 2022.

Product Sales and Sales and Receivable Concentration:

Refer to Product Sales and Sales and Receivable Concentration included herein for revenue by product group and revenue by customer.

Research and Development Costs: Expenditures relating to the development of new products and processes, including significant improvements and refinements to existing products, are expensed as incurred. Research and development expenditures were approximately \$15.9 million in 2023 and \$12.2 million in 2022.

Other (Expense) Income, Net: Net other (expense) income included in the accompanying Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income primarily included foreign currency transaction gains and losses, realized and unrealized gains and losses on our Mexican peso currency forward contracts, the components of net periodic benefit cost other than the service cost component related to our pension and postretirement plans and Rabbi Trust gains and losses. Foreign currency transaction gains and losses resulted from activity associated with foreign denominated assets and liabilities held by our Mexican subsidiaries. The Rabbi Trust assets fund our amended and restated supplemental executive retirement plan. The investments held in the Trust are considered trading securities. We entered into the Mexican peso currency forward contracts during fiscal 2023 and 2022 to reduce earnings volatility resulting from changes in exchange rates affecting the U.S. dollar cost of our Mexican operations. Pension and postretirement plan costs include the components of net periodic benefit cost other than the service cost component. The impact of these items for the periods presented was as follows (thousands of dollars):

	Years Ended	
	July 2, 2023	July 3, 2022
Foreign currency transaction (loss) gain	\$ (2,935)	\$ 237
Rabbi Trust Assets gain (loss)	202	(304)
Unrealized gain on Mexican peso forward contracts	—	384
Realized gain on Mexican peso forward contracts, net	1,022	361
Pension and postretirement plans cost	(722)	(505)
Other	255	233
	<u>\$ (2,178)</u>	<u>\$ 406</u>

Warranty Reserve: We have a warranty reserve recorded related to our known and potential exposure to warranty claims in the event our products fail to perform as expected, and in the event we may be required to participate in the repair costs incurred by our customers for such products. The recorded warranty reserve balance involves judgment and estimates. Our reserve estimate is based on an analysis of historical warranty data as well as current trends and information. During 2023, we recorded warranty provisions associated with customer-specific warranty claims involving our product. As additional information becomes available, actual results may differ from recorded estimates, which may require us to adjust the amount of our warranty provision.

Changes in the warranty reserve were as follows (thousands of dollars):

	Balance, Beginning of Year	Provision Charged to Expense	Payments	Balance, End of Year
Year ended July 2, 2023	\$ 8,100	\$ 2,405	\$ 780	\$ 9,725
Year ended July 3, 2022	\$ 8,425	\$ 265	\$ 590	\$ 8,100

Foreign Currency Translation: The financial statements of our foreign subsidiaries and equity investees are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and the average exchange rate for each applicable period for sales, costs and expenses. Foreign currency translation adjustments are included as a component of accumulated other comprehensive loss. Foreign currency transaction gains and losses are included in other (expense) income, net in the accompanying Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

Accumulated Other Comprehensive Loss (“AOCL”): The following tables summarize the changes in AOCL for the years ended July 2, 2023 and July 3, 2022 (thousands of dollars):

	Year Ended July 2, 2023		
	Foreign Currency Translation Adjustments	Retirement and Postretirement Plans	Total
Balance July 3, 2022	\$ 16,733	\$ 1,855	\$ 18,588
Other comprehensive loss before reclassifications	(4,698)	(559)	(5,257)
Income Tax	(636)	132	(504)
Net other comprehensive loss before reclassifications	(5,334)	(427)	(5,761)
Reclassifications:			
Sale of interest in VAST LLC	(830)	—	(830)
Actuarial losses (A)	—	(342)	(342)
Total reclassifications before tax	(830)	(342)	(1,172)
Income Tax	—	80	80
Net reclassifications	(830)	(262)	(1,092)
Other comprehensive loss	(6,164)	(689)	(6,853)
Other comprehensive loss attributable to non-controlling interest	(2,459)	—	(2,459)
Balance July 2, 2023	<u>\$ 13,028</u>	<u>\$ 1,166</u>	<u>\$ 14,194</u>

	Year Ended July 3, 2022		
	Foreign Currency Translation Adjustments	Retirement and Postretirement Plans	Total
Balance June 27, 2021	\$ 14,683	\$ 2,231	\$ 16,914
Other comprehensive loss before reclassifications	1,712	(82)	1,630
Income Tax	606	19	625
Net other comprehensive loss before reclassifications	2,318	(63)	2,255
Reclassifications:			
Actuarial losses (A)	—	(409)	(409)
Total reclassifications before tax	—	(409)	(409)
Income Tax	—	96	96
Net reclassifications	—	(313)	(313)
Other comprehensive loss	2,318	(376)	1,942
Other comprehensive loss attributable to non-controlling interest	268	—	268
Balance July 3, 2022	\$ 16,733	\$ 1,855	\$ 18,588

(A) Amounts reclassified are included in the computation of net periodic benefit cost, which is included in Other (Expense) Income, net in the accompanying Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. See Retirement Plans and Postretirement Costs note to these Notes to Financial Statements below.

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 2 million shares of common stock available for the grant of awards under the plan. Remaining shares available to be granted under the plan as of July 2, 2023 were 134,769. Awards that expire or are cancelled without delivery of shares become available for re-issuance under the plan. We issue new shares of common stock to satisfy stock option exercises.

Nonqualified and incentive stock options and shares of restricted stock have been granted to our officers, outside directors and specified associates under the stock incentive plan. Stock options granted under the plan may not be issued with an exercise price less than the fair market value of the common stock on the date the option is granted. Stock options become exercisable as determined at the date of grant by the Compensation Committee of our Board of Directors. The options expire 10 years after the grant date unless an earlier expiration date is set at the time of grant. The options vest 1 to 4 years after the date of grant. Shares of restricted stock granted under the plan are subject to vesting criteria determined by the Compensation Committee of our Board of Directors at the time the shares are granted and have a minimum vesting period of one year from the date of grant. Restricted shares granted have voting rights, regardless of whether the shares are vested or unvested, but only have the right to receive cash dividends after such shares become vested. Restricted stock grants issued vest 1 to 3 years after the date of grant.

No stock options were granted during 2023 or 2022, and all compensation cost related to previously granted options was recognized prior to 2022. Accordingly, no compensation cost related to stock options was recorded during 2023 or 2022. 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. We record stock based compensation only for those awards that are expected to vest.

Unrecognized compensation cost as of July 2, 2023 related to restricted stock granted under the plan was as follows (thousands of dollars):

	Compensation Cost	Weighted Average Period over which Cost is to be Recognized (in years)
Restricted stock granted	\$ 1,370	0.9

Unrecognized compensation cost will be adjusted for any future changes in estimated and actual forfeitures.

Cash received from stock option exercises and the related income tax benefit were as follows (thousands of dollars):

Fiscal Year	Cash Received from Stock Option Exercises	Income Tax Benefit
2023	\$ 109	\$ —
2022	\$ 827	\$ 74

The intrinsic value of stock options exercised and the fair value of options vested were as follows (thousands of dollars):

	Years Ended	
	July 2, 2023	July 3, 2022
Intrinsic value of options exercised	\$ 31	\$ 451
Fair value of stock options vested	\$ —	\$ —

The range of options outstanding as of July 3, 2022 was as follows:

	Number of Options Outstanding and Exercisable	Weighted Average Exercise Price Outstanding and Exercisable	Weighted Average Remaining Contractual Life Outstanding (In Years)
\$38.71	24,491	\$ 38.71	0.13
\$79.73	8,070	\$ 79.73	1.13
	32,561	\$ 48.88	

Income Taxes: Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered, settled or utilized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. We recognize the benefit of an income tax position only if it is more likely than not (greater than 50 percent) that the tax position will be sustained upon tax examination, based solely on the technical merits of the tax position. Otherwise, no benefit is recognized. The tax benefits recognized are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. Additionally, we accrue interest and related penalties, if applicable, on all tax exposures for which reserves have been established consistent with jurisdictional tax laws. Interest and penalties on uncertain tax positions are classified in the (Benefit) Provision for Income Taxes in the accompanying Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

INVESTMENT IN JOINT VENTURES AND MAJORITY OWNED SUBSIDIARIES

Prior to June 30, 2023, we participated in certain Alliance Agreements with WITTE Automotive (“WITTE”) and ADAC Automotive (“ADAC”). WITTE, of Velbert, Germany, is a privately held automotive supplier. WITTE designs, manufactures and markets automotive components, including locks and keys, hood latches, rear compartment latches, seat back latches, door handles and specialty fasteners. WITTE’s primary market for these products has been Europe. ADAC, of Grand Rapids, Michigan, is a privately held automotive supplier and manufactures engineered products, including door handles and other automotive trim parts, utilizing plastic injection molding, automated painting and various assembly processes.

The Alliance Agreements included a set of cross-licensing agreements for the manufacture, distribution and sale of WITTE products by STRATTEC and ADAC in North America, and the manufacture, distribution and sale of STRATTEC and ADAC products by WITTE in Europe. Additionally, a joint venture company, Vehicle Access Systems Technology LLC (“VAST LLC”), in which WITTE, STRATTEC and ADAC each held a one-third equity interest, existed to seek opportunities to manufacture and sell each company’s products in areas of the world outside of North America and Europe. As a result of these relationships, the entities involved purchased component products from each other for use in end products assembled and sold in their respective home markets. STRATTEC purchased such component parts from WITTE. These purchases totaled \$839,000 in 2023 and \$918,000 in 2022. STRATTEC also paid WITTE a royalty related to certain latch product sales. Such royalties incurred totaled \$528,000 in 2023 and

\$889,000 in 2022. The outstanding payable balance to WITTE was \$459,000 as of July 3, 2022. WITTE was no longer a related party as of July 2, 2023 as a result of the Equity Restructuring Agreement discussed below.

VAST LLC had investments in Sistema de Acesso Veicular Ltda, VAST China (Taicang), VAST Jingzhou Co. Ltd., VAST Shanghai Co., VAST Fuzhou and Minda-VAST Access Systems. The operations under VAST Fuzhou closed during our fiscal 2021 and the related land and building were held for sale. Sistema de Acesso Veicular Ltda was located in Brazil and serviced customers in South America. VAST LLC disposed of Sistema de Acesso Veicular Ltda in June 2023. VAST China (Taicang), VAST Jingzhou Co. Ltd, and VAST Shanghai Co. (collectively known as VAST China), provided a base of operations to service each VAST partner's automotive customers in the Asian market. Minda-VAST Access Systems is based in Pune, India and is a 50:50 joint venture between VAST LLC and Minda Management Services Limited, an affiliate of both Minda Corporation Limited and Spark Minda, Ashok Minda Group of New Delhi, India (collectively "Minda"). Minda and its affiliates cater to the needs of all major car, motorcycle, commercial vehicle, tractor and off-road vehicle manufacturers in India. VAST LLC also maintained branch offices in South Korea and Japan in support of customer sales and engineering requirements.

Effective June 30, 2023, we entered into and completed transactions contemplated by an Equity Restructuring Agreement ("Restructuring Agreement") between STRATTEC and WITTE. Pursuant to the terms of the Restructuring Agreement, STRATTEC sold its one-third interest in VAST LLC to WITTE and STRATTEC purchased WITTE's 20 percent non-controlling interest in STRATTEC POWER ACCESS LLC ("SPA") along with the net assets of VAST LLC's Korea branch office. The total net purchase price payable from WITTE to STRATTEC was \$18.5 million, of which \$16.5 million was paid on June 30, 2023 and \$2 million was paid in July 2023. The \$2 million paid in July 2023 was included in other current assets in the accompanying Consolidated Balance Sheet as of July 2, 2023. The allocation of the \$18.5 million net purchase price was as follows (millions of dollars):

	Cash Received (Paid)
Sale of STRATTEC's one-third ownership interest in VAST LLC	\$ 28.2
Purchase of 20 percent non-controlling interest in SPA	(9.0)
Purchase of net assets of VAST LLC's Korean branch office	(0.7)
Net purchase price received by STRATTEC	<u>\$ 18.5</u>

As of June 30, 2023, the Korean branch office is wholly owned by STRATTEC and its subsequent financial results are consolidated with the financial results of STRATTEC. The Restructuring Agreement will position STRATTEC to redeploy assets, both financial and technical, to create greater focus on STRATTEC-specific strategic growth opportunities in North America and around the world. This transaction will allow STRATTEC to be well-positioned to take advantage of new opportunities, including more of our product applications on Electric Vehicles, growing consumer demand for Power Access products, expansion of electronics capabilities and other new automotive products. It will also give us greater resources to further explore diversification of markets, complimentary technology and regions outside of North America. As part of the Restructuring Agreement, STRATTEC also entered into a cooperation framework agreement with WITTE related to VAST LLC which provides a framework for the parties to collaborate on global programs related to product development and manufacturing.

Prior to the restructuring agreement, VAST LLC investments were accounted for using the equity method of accounting. Results of the VAST LLC foreign subsidiaries and joint venture were reported on a one-month lag basis. The activities of the VAST LLC foreign subsidiaries and joint ventures resulted in equity earnings of joint ventures to STRATTEC of approximately \$1.6 million during 2023 and \$177,000 during 2022. STRATTEC's 2023 equity earnings includes STRATTEC's one-third of a loss on disposal of Brazil of \$531,000 and a gain on sale of STRATTEC's one-third share of VAST LLC of \$110,000. During 2023, capital contributions totaling \$834,000 were made to VAST LLC for purposes of funding operations in Brazil with STRATTEC's portion of such capital contributions totaling \$278,000. During 2022, capital contributions totaling \$450,000 were made to VAST LLC for purposes of funding operations in Brazil with STRATTEC's portion of such capital contribution totaling \$150,000. As of June 30, 2023, STRATTEC has no continuing involvement in VAST LLC other than under the cooperation framework agreement described above.

STRATTEC POWER ACCESS LLC ("SPA") was formed in fiscal year 2009 to supply the North American portion of the power sliding door, lift gate, tail gate and deck lid system access control products which were acquired from Delphi Corporation. Prior to the Restructuring Agreement, SPA was 80 percent owned by STRATTEC and 20 percent owned by WITTE. As a result of the Restructuring Agreement, STRATTEC purchased the remaining 20 percent interest in SPA, and SPA became a wholly owned subsidiary of STRATTEC. An additional Mexican entity, STRATTEC POWER ACCESS de Mexico, is wholly owned by SPA. STRATTEC's purchase of WITTE's 20 percent noncontrolling interest in SPA was accounted for as an equity transaction. No gain or loss was recognized in the Consolidated Statement of (Loss) Income and Comprehensive (Loss) Income. The difference between the fair value of the consideration paid and the amount by which the non-controlling interest was adjusted was recognized in equity attributable to STRATTEC. The financial results of SPA are consolidated with the financial results of STRATTEC. SPA net sales and net income to STRATTEC totaled approximately \$114.1 million and \$2.5 million, respectively, in 2023 and \$95.7 million and \$5.3 million, respectively, in 2022.

ADAC-STRATTEC LLC, a Delaware limited liability company, was formed in fiscal year 2007 to support injection molding and door handle assembly operations in Mexico. ADAC-STRATTEC LLC was 51 percent owned by STRATTEC and 49 percent owned by ADAC for all periods presented in this report. An additional Mexican entity, ADAC-STRATTEC de Mexico, is wholly owned by ADAC-STRATTEC LLC. ADAC-STRATTEC LLC's financial results are consolidated with the financial results of STRATTEC. ADAC-STRATTEC LLC net sales and net loss to STRATTEC totaled approximately \$121.9 million and \$2.1 million, respectively, in 2023 and approximately \$111.8 million and \$100,000, respectively, in 2022. ADAC charges ADAC-STRATTEC LLC an engineering, research and design fee as well as a sales fee. Such fees are calculated as a percentage of ADAC-STRATTEC LLC net sales, are included in the consolidated results of STRATTEC, and totaled \$8.5 million in 2023 and \$7.8 million in 2022. The related outstanding payable balance to ADAC was \$4.9 million as of July 2, 2023 and \$1.9 million as of July 3, 2022. Effective January 1, 2023, ADAC and STRATTEC agreed to suspend the payment of these fees as needed to comply with debt covenant provisions included in the ADAC-STRATTEC LLC credit facility described in greater detail under Credit Facilities below. Additionally, ADAC-STRATTEC LLC sells production parts to ADAC. Sales to ADAC are included in the consolidated results of STRATTEC and totaled \$12.2 million in 2023 and \$9.1 million in 2022. The related outstanding receivable balance from ADAC was \$3.9 million and \$1.6 million as of July 2, 2023 and July 3, 2022, respectively.

See further discussion under Equity Earnings of Joint Ventures included in Notes to Financial Statements herein.

EQUITY EARNINGS OF JOINT VENTURES

As discussed above within Investment in Joint Ventures and Majority Owned Subsidiaries, effective June 30, 2023, we sold our one-third ownership interest in VAST LLC, for which we exercised significant influence but did not control. VAST LLC was not a variable interest entity of STRATTEC. Until the effective date of the sale, our investment in VAST LLC was accounted for using the equity method. The results of the VAST LLC foreign subsidiaries and joint venture were reported on a one-month lag basis.

During the quarter ended March 27, 2022, VAST China experienced a fire at their Taicang facility. As a result, certain door handle and painting operations were subsequently transferred to their new Jingzhou facility and to another supplier. The transfer of production negatively impacted VAST China's fiscal 2022 profitability.

As a result of the Restructuring Agreement, STRATTEC no longer holds an ownership interest in VAST LLC as of July 2, 2023. The following are summarized statements of operations and summarized balance sheet data for VAST LLC (thousands of dollars):

	Years Ended	
	July 2, 2023	July 3, 2022
Net sales	\$ 207,362	\$ 191,642
Cost of goods sold	171,851	160,886
Gross profit	35,511	30,756
Engineering, selling and administrative expense	31,302	31,887
Income (Loss) from operations	4,209	(1,131)
Other income, net	2,304	902
Loss on disposal of investment in Brazil	(1,592)	—
Income (Loss) before provision for income taxes	4,921	(229)
Provision (benefit) for income taxes	672	(754)
Net income	\$ 4,249	\$ 525
STRATTEC's share of VAST LLC net income	\$ 1,416	\$ 175
Intercompany profit eliminations	33	2
STRATTEC's equity earnings of VAST LLC prior to loss on sale	1,449	177
Gain on sale of VAST LLC	110	—
STRATTEC's equity earnings of VAST LLC	\$ 1,559	\$ 177

	July 2, 2023	July 3, 2022
Cash and cash equivalents	\$ —	\$ 21,694
Receivables, net	—	39,467
Inventories, net	—	26,881
Other current assets	—	14,574
Total current assets	—	102,616
Property, plant and equipment, net	—	70,096
Other long-term assets	—	16,686
Total assets	\$ —	\$ 189,398
Current debt	\$ —	\$ 388
Other current liabilities	—	86,364
Long-term debt	—	20,079
Other long-term liabilities	—	2,258
Total liabilities	\$ —	\$ 109,089
Net assets	\$ —	\$ 80,309
STRATTEC's share of VAST LLC net assets	\$ —	\$ 26,770

We had sales of component parts to VAST LLC, purchases of component parts from VAST LLC, expenses charged to VAST LLC for engineering and accounting services and expenses charged from VAST LLC to STRATTEC for general headquarter expenses. As a result of the Restructuring Agreement, STRATTEC no longer holds an ownership interest in VAST LLC as of July 2, 2023. The following tables summarize the related party transactions with VAST LLC for the periods indicated (thousands of dollars):

	Years Ended	
	July 2, 2023	July 3, 2022
Sales to VAST LLC	\$ 64	\$ 1,805
Purchases from VAST LLC	\$ 49	\$ 169
Expenses charged to VAST LLC	\$ 382	\$ 593
Expenses charged from VAST LLC	\$ 761	\$ 784
	July 2, 2023	July 3, 2022
Accounts receivable from VAST LLC	\$ —	\$ 63
Accounts payable to VAST LLC	\$ —	\$ 23

CREDIT FACILITIES

STRATTEC has a \$40 million secured revolving credit facility (the "STRATTEC Credit Facility") with BMO Harris Bank N.A. ADAC-STRATTEC LLC has a \$25 million secured revolving credit facility (the "ADAC-STRATTEC Credit Facility") with BMO Harris Bank N.A., which is guaranteed by STRATTEC. The credit facilities expire on August 1, 2024. Borrowings under either credit facility are secured by our U.S. cash balances, accounts receivable, inventory, and fixed assets located in the U.S. Interest on borrowings under the STRATTEC Credit Facility were at varying rates based, at our option, on LIBOR plus 1.25 percent or the bank's prime rate through February 22, 2023. Interest on borrowings under the ADAC-STRATTEC Credit Facility were at varying rates based, at our option, on LIBOR plus 1.25 percent or the bank's prime rate through February 6, 2023. Subsequent to these dates, interest on borrowings under both credit facilities were at varying rates based, at our option, on SOFR plus 1.35 percent or the bank's prime rate. Both credit facilities contain a restrictive financial covenant that requires the applicable borrower to maintain a minimum net worth level. The ADAC-STRATTEC Credit Facility includes an additional restrictive financial covenant that requires the maintenance of a minimum fixed charge coverage ratio. As of July 2, 2023, we were in compliance with all financial covenants required by these credit facilities. Refer to further discussion under Subsequent Events included herein.

Outstanding borrowings under the credit facilities referenced in the above paragraph as of the end of 2023 and 2022 were as follows (thousands of dollars):

	July 2, 2023	July 3, 2022
STRATTEC Credit Facility	\$ —	\$ —
ADAC-STRATTEC Credit Facility	13,000	11,000
	\$ 13,000	\$ 11,000

Average outstanding borrowings and the weighted average interest rate under each such credit facility during 2023 and 2022 were as follows (thousands of dollars):

	Average Outstanding Borrowings		Weighted Average Interest Rate	
	Years Ended		Years Ended	
	July 2, 2023	July 3, 2022	July 2, 2023	July 3, 2022
STRATTEC Credit Facility	\$ 5,365	\$ 332	5.7 %	2.0 %
ADAC-STRATTEC Credit Facility	\$ 12,426	\$ 14,248	5.3 %	1.5 %

We believe that the credit facilities referenced above are adequate, along with existing cash balances and cash flow from operations, to meet our anticipated capital expenditure, working capital, dividend and operating expenditure requirements.

COMMITMENTS AND CONTINGENCIES

We are from time to time subject to various legal actions and claims incidental to our business, including those arising out of alleged defects, alleged breaches of contracts, product warranties, intellectual property matters and employment related matters. It is our opinion that the outcome of such matters will not have a material adverse impact on the consolidated financial position, results of operations or cash flows of STRATTEC. With respect to warranty matters, although we cannot ensure that the future costs of warranty claims by customers will not be material, we believe our established reserves are adequate to cover potential warranty settlements.

In 1995, we recorded a provision for estimated costs to remediate an environmental contamination site at our Milwaukee facility. The facility was contaminated by a solvent spill, which occurred in 1985, from a former above ground solvent storage tank located on the east side of the facility. The reserve was originally established based on third party estimates to adequately cover the cost for active remediation of the contamination. Due to changing technology and related costs associated with active remediation of the contamination, in fiscal years 2010, 2016, and 2021, we obtained updated third party estimates of projected costs to adequately cover the cost for active remediation of this contamination and adjusted the reserve as needed. We monitor and evaluate the site with the use of these groundwater monitoring wells. An environmental consultant samples these wells one or two times a year to determine the status of the contamination and the potential for remediation of the contamination by natural attenuation, the dissipation of the contamination over time to concentrations below applicable standards. If such sampling evidences a sufficient degree of and trend toward natural attenuation of the contamination at the site, we may be able to obtain a closure letter from the regulatory authorities resolving the issue without the need for active remediation. If a sufficient degree and trend toward natural attenuation is not evidenced by sampling, a more active form of remediation beyond natural attenuation may be required. The sampling has not yet satisfied all of the requirements for closure by natural attenuation. As a result, sampling continues and the reserve remains at an amount to reflect our estimated cost of active remediation. The reserve is not measured on a discounted basis. We believe, based on findings-to-date and known environmental regulations, that the environmental reserve of \$1.4 million at July 2, 2023 is adequate.

At July 2, 2023, we had purchase commitments related to zinc. We also had minimum rental commitments under non-cancelable operating leases with a term in excess of one year. The purchase and minimum rental commitments are payable as follows (thousands of dollars):

Fiscal Year	Purchase Commitments	Minimum Rental Commitments
2024	\$ 5,766	\$ 730
2025	\$ —	\$ 941
2026	\$ —	\$ 988
2027	\$ —	\$ 1,037
Thereafter	\$ —	\$ 1,647

INCOME TAXES

The provision for income taxes consisted of the following (thousands of dollars):

	Years Ended	
	July 2, 2023	July 3, 2022
Currently payable (recoverable):		
Federal	\$ 1,035	\$ (691)
State	401	161
Foreign	4,782	2,931
	<u>6,218</u>	<u>2,401</u>
Deferred tax provision	(4,937)	(1,986)
	<u>\$ 1,281</u>	<u>\$ 415</u>

The current Federal provision for income taxes excludes a deduction for \$22.0 million in research and development costs that are deductible in future periods and \$6.0 million of capital losses on the sale of our interest in VAST LLC, which losses are not currently deductible. The current foreign provision for income taxes includes \$2.2 million of China non-resident capital gain tax related to the sale of our interest in VAST LLC. The deferred tax provision includes the \$22.0 million in research and development costs that are deductible in future periods.

The items accounting for the difference between income taxes computed at the Federal statutory tax rate and the provision for income taxes were as follows:

	Years Ended	
	July 2, 2023	July 3, 2022
U.S. statutory rate	21.0%	21.0%
State taxes, net of Federal tax benefit	4.7	0.4
Foreign subsidiaries	—	8.4
China non-resident capital gain tax	(28.7)	—
U.S. tax impact on sale of VAST LLC	(9.7)	—
Valuation allowance	(18.8)	—
Return to provision adjustment	2.1	(11.1)
Global intangible low-taxed income	(8.0)	0.5
Research and development tax credit	19.4	(9.7)
Solar investment tax credit	—	(0.8)
Non-controlling interest	4.0	(1.8)
Uncertain tax positions	(1.7)	(1.4)
Stock based compensation	0.3	(1.3)
Other	(1.3)	0.3
	<u>(16.7%)</u>	<u>4.5%</u>

Impacts of the sale of our one-third interest in VAST LLC on our 2023 effective rate include the China non-resident capital gain tax, the U.S. tax impact on the sale of VAST LLC, and the valuation allowance. As discussed above, the current foreign provision for income taxes includes \$2.2 million of China non-resident capital gain tax related to the sale of our interest in VAST LLC. The U.S. tax impact of the sale of VAST LLC is the result of the tax gain recognized. The valuation allowance, as discussed further below, is generated by our current assessment of the future realization of the capital losses realized on the VAST LLC sale. The change in the research and development tax credit on the effective rate between periods is due to an estimated increase in the available credit in 2023 as compared to 2022 on a book pre-tax loss in the current year as compared to book pre-tax income in the prior year.

The return to provision adjustment related to adjustments we made to our fiscal 2021 estimated foreign tax credits and estimated tax impacts associated with our investment in VAST LLC. These true-up adjustments resulted from the filing of our US income tax returns during fiscal 2022 and were attributable to actual results included in the non-US income tax returns, which are filed on a calendar year basis, and which differ from estimates included in our fiscal 2021 tax provision. This adjustment was not material to our previously issued financial statements.

The components of deferred tax (liabilities) assets were as follows (thousands of dollars):

	July 2, 2023	July 3, 2022
Unrecognized pension and postretirement benefit plan liabilities	\$ 368	\$ 579
Accrued warranty	2,255	423
Payroll-related accruals	4,094	3,085
Research and development costs	5,541	—
Capital loss carryforward related to sale of interest in VAST LLC	1,403	—
Stock-based compensation	414	360
Inventory reserve	1,633	1,010
Environmental reserve	327	327
Repair and maintenance supply parts reserve	222	222
Allowance for doubtful accounts	118	118
Lease Liability	1,049	710
Right of Use Assets	(1,049)	(710)
Credit carry-forwards	1,628	2,986
Postretirement obligations	64	8
Accumulated depreciation	(4,387)	(3,886)
Accrued pension obligations	415	504
Joint ventures	47	899
Other	1,078	604
	<u>15,220</u>	<u>7,239</u>
Valuation allowance	(1,601)	(158)
Net deferred tax assets	<u>\$ 13,619</u>	<u>\$ 7,081</u>

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax basis and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered.

Federal credit carry-forwards at July 2, 2023 resulted in future benefits of approximately \$1.4 million and expire between 2031 and 2041. We currently anticipate having sufficient Federal taxable income to utilize these credit carry-forwards. State credit carry-forwards at July 2, 2023 resulted in future benefits of approximately \$196,000 and expire at varying times between 2025 and 2031. A valuation allowance of \$1.4 million has been recorded as of July 2, 2023, due to our assessment of the future realization of the capital loss carryforward. We do not currently anticipate having capital gains in future taxable years to offset the capital loss carryforward. A valuation allowance of \$172,000 has been recorded as of July 2, 2023, due to our assessment of the future realization of certain state credit carry-forward benefits. We do not currently anticipate having sufficient state taxable income to offset these credit carry-forwards. Foreign income before the provision for income taxes was \$3.1 million in 2023 and \$8.6 million in 2022.

The total liability for unrecognized tax benefits was \$1.6 million as of July 2, 2023 and \$1.5 million as of July 3, 2022 and was included in Other Long-term Liabilities in the accompanying Consolidated Balance Sheets. This liability includes approximately \$1.4 million and \$1.3 million of unrecognized tax benefits at July 2, 2023 and July 3, 2022, respectively, and approximately \$162,000 of accrued interest at July 2, 2023 and \$137,000 at July 3, 2022. This liability does not include an amount for accrued penalties. The amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was approximately \$1.1 million at July 2, 2023 and \$1.0 million at July 3, 2022. We recognize interest and penalties related to unrecognized tax benefits in the provision for income taxes.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows for the years ended July 2, 2023 and July 3, 2022 (thousands of dollars):

	Years Ended	
	July 2, 2023	July 3, 2022
Unrecognized tax benefits, beginning of year	\$ 1,314	\$ 1,458
Gross increases – tax positions in prior years	50	13
Gross decreases – tax positions in prior years	—	(19)
Gross increases – current period tax positions	385	241
Tax years closed	(354)	(379)
Unrecognized tax benefits, end of year	<u>\$ 1,395</u>	<u>\$ 1,314</u>

We or one of our subsidiaries files income tax returns in the United States (Federal), Wisconsin (state), Michigan (state) and various other states, Mexico and other foreign jurisdictions. Tax years open to examination by tax authorities under the statute of limitations include fiscal 2020 through 2023 for Federal, fiscal 2019 through 2023 for most states and calendar 2018 through 2022 for foreign jurisdictions.

RETIREMENT PLANS AND POSTRETIREMENT COSTS

We have a noncontributory Supplemental Executive Retirement Plan ("SERP"), which is a nonqualified defined benefit plan. The SERP is funded through a Rabbi Trust with TMI Trust Company. Under the SERP, as amended December 31, 2013, participants received an accrued lump-sum benefit as of December 31, 2013 which was credited to each participant's account. Subsequent to December 31, 2013, each eligible participant receives a supplemental retirement benefit equal to the foregoing lump-sum benefit, plus an annual benefit accrual equal to 8 percent of the participant's base salary and cash bonus, plus annual credited interest on the participant's account balance. All then current participants as of December 31, 2013 are fully vested in their account balances with any new individuals participating in the SERP effective on or after January 1, 2014 being subject to a five year vesting period. The SERP, which is considered a nonqualified defined benefit plan under applicable rules and regulations of the Internal Revenue Code, will continue to be funded through use of a Rabbi Trust to hold investment assets to be used in part to fund any future required lump sum benefit payments to participants. During 2023, SERP benefits of \$863,000 were cash settled using Rabbi trust assets. We incurred a related settlement charge to operations of \$217,000 pre-tax in 2023 as a result of the requirement to expense a portion of the unrealized actuarial losses due to the settlement of the SERP obligation. The Rabbi Trust assets had a value of \$2.6 million at July 2, 2023 and \$3.3 million at July 3, 2022, respectively. At July 2, 2023, the Rabbi Trust asset balance was included in Other Long-Term Assets in the accompanying Consolidated Balance Sheets. At July 3, 2022, \$863,000 of the Rabbi Trust asset balance was included in Other Current Assets and the remaining balance was included in Other Long-Term Assets in the accompany Consolidated Balance Sheets. Refer to Fair Value of Financial Instruments discussion included in Notes to Financial Statements herein for further discussion of Rabbi Trust assets. The Rabbi Trust assets are excluded from the SERP tables below as they do not qualify as plan assets. The projected benefit obligation under the SERP, which is included in the SERP tables below, was \$2.3 million at July 2, 2023 and \$3.2 million at July 3, 2022. The SERP has a separately determined accumulated benefit obligation, which is the actuarial present value of benefits based on service rendered and current and past compensation levels. This differs from the projected benefit obligation in that it includes no assumptions about future compensation levels. The accumulated benefit obligation under the SERP was \$2.2 million at July 2, 2023 and \$2.8 million at July 3, 2022.

We also sponsor a postretirement health care plan for all current and future eligible U.S. retirees hired prior to June 1, 2001. The expected cost of retiree health care benefits is recognized during the years the associates who are covered under the plan render service. Effective January 1, 2010, an amendment to the postretirement health care plan limited the benefit for future eligible retirees to \$4,000 per plan year and the benefit is further subject to a maximum five-year coverage period based on the associate's retirement date and age. The postretirement health care plan is unfunded. Additionally, we sponsor a postretirement life plan for all U.S. salaried retirees who retired prior to October 1, 2001 and all U.S. hourly retirees who were hired prior to June 27, 2005 and retired prior to January 1, 2010. The benefit provides for a death benefit of \$8,000, which is increased to \$70,000 for disability retirees until reaching the age of 65, in which case the death benefit decreased to \$8,000. The postretirement life plan is unfunded. See "Organization and Summary of Significant Accounting Policies" above for additional information regarding certain matters related to recording a liability adjustment for the death benefit owed to eligible participants under the postretirement life plan.

Amounts included in accumulated other comprehensive loss, net of tax, at July 2, 2023, which have not yet been recognized in net periodic benefit cost were as follows (thousands of dollars):

	SERP	Postretirement
Net actuarial loss	\$ 410	\$ 756

Unrecognized net actuarial losses included in accumulated other comprehensive loss at July 2, 2023 which are expected to be recognized in net periodic benefit cost (credit) in fiscal 2024, net of tax, for the SERP and postretirement plans are as follows (thousands of dollars):

	SERP	Postretirement
Net actuarial loss	\$ 35	\$ 150

The following tables summarize the SERP and postretirement plans' income and expense, funded status and actuarial assumptions for the years indicated (thousands of dollars). We use a June 30 measurement date for our SERP and postretirement plans.

	SERP Benefits		Postretirement Benefits	
	Years Ended		Years Ended	
	July 2, 2023	July 3, 2022	July 2, 2023	July 3, 2022
COMPONENTS OF NET PERIODIC BENEFIT COST (CREDIT):				
Service cost	\$ 80	\$ 63	\$ 10	\$ 12
Interest cost	101	53	62	43
Plan settlements	217	—	—	—
Amortization of unrecognized net loss	99	86	243	323
Net periodic benefit cost (credit)	<u>\$ 497</u>	<u>\$ 202</u>	<u>\$ 315</u>	<u>\$ 378</u>
WEIGHTED-AVERAGE ASSUMPTIONS:				
Benefit Obligations:				
Discount rate (SERP / postretirement life)	5.07%	4.26%	5.2%	4.57%
Discount rate (postretirement health)			5.06%	4.23%
Rate of compensation increases	4.61%	4.0%	n/a	n/a
Net Periodic Benefit Cost:				
Discount rate (SERP / postretirement life)	4.26%	2.06%	4.57%	2.64%
Discount rate (postretirement health)			4.23%	2.01%
Rate of compensation increases	4.0%	3.0%	n/a	n/a
CHANGE IN PROJECTED BENEFIT OBLIGATION:				
Benefit obligation at beginning of year	\$ 3,164	\$ 2,797	\$ 1,477	\$ 1,868
Service cost	80	63	10	12
Interest cost	101	53	62	43
Actuarial loss (gain)	(163)	265	(179)	(347)
Plan settlements	(863)	—	—	—
Benefits paid	(14)	(14)	(74)	(99)
Benefit obligation at end of year	<u>\$ 2,305</u>	<u>\$ 3,164</u>	<u>\$ 1,296</u>	<u>\$ 1,477</u>
CHANGE IN PLAN ASSETS:				
Fair value of plan assets at beginning of year	\$ —	\$ —	\$ —	\$ —
Employer contribution	877	14	74	99
Benefits paid	(877)	(14)	(74)	(99)
Fair value of plan assets at end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Funded status – accrued benefit obligations	<u>\$ (2,305)</u>	<u>\$ (3,164)</u>	<u>\$ (1,296)</u>	<u>\$ (1,477)</u>
AMOUNTS RECOGNIZED IN CONSOLIDATED BALANCE SHEETS:				
Accrued payroll and benefits (current liabilities)	(1,100)	(1,905)	(140)	(148)
Accrued benefit obligations (long-term liabilities)	(1,206)	(1,259)	(1,157)	(1,329)
Net amount recognized	<u>\$ (2,306)</u>	<u>\$ (3,164)</u>	<u>\$ (1,297)</u>	<u>\$ (1,477)</u>
CHANGES IN PLAN ASSETS AND BENEFIT OBLIGATIONS RECOGNIZED IN OTHER COMPREHENSIVE INCOME:				
Net periodic benefit cost	\$ 497	\$ 202	\$ 315	\$ 378
Net actuarial loss (gain)	(163)	265	(179)	(347)
Settlement cost	(217)	—	—	—
Amortization of unrecognized net loss	(99)	(86)	(243)	(323)
Total recognized in other comprehensive (income) loss, before tax	<u>(479)</u>	<u>179</u>	<u>(422)</u>	<u>(670)</u>
Total recognized in net periodic benefit cost and other comprehensive loss, before tax	<u>\$ 18</u>	<u>\$ 381</u>	<u>\$ (107)</u>	<u>\$ (292)</u>

For measurement purposes as it pertains to the estimated postretirement health obligation associated with retirees prior to January 1, 2010, a 5.6 percent annual rate increase in the per capita cost of covered health care benefits was assumed for fiscal 2023; the rate is not applicable thereafter as all eligible retirees will be limited to \$4,000 per plan year subject to a maximum five-year coverage period as of June 2024. The health care cost trend assumption has a minimal effect on our postretirement benefit amounts reported.

We expect to contribute \$1.1 million to our SERP and \$140,000 to our postretirement health care and life plans in fiscal 2024. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during the fiscal years noted below (thousands of dollars):

	SERP Benefits	Postretirement Benefits
2024	\$ 1,100	\$ 140
2025	\$ 14	\$ 117
2026	\$ 14	\$ 92
2027	\$ 14	\$ 93
2028	\$ 17	\$ 94
2029-2033	\$ 2,492	\$ 531

All U.S. associates may participate in our 401(k) Plan. We contribute 100 percent up to the first 5 percent of eligible compensation that a participant contributes to the plan. Our contributions to the 401(k) Plan were as follows (thousands of dollars):

	Years Ended	
	July 2, 2023	July 3, 2022
Company contributions	\$ 1,829	\$ 1,964

SHAREHOLDERS' EQUITY

We had 18,000,000 shares of authorized common stock, par value \$.01 per share, with 3,929,046 and 3,876,703 shares outstanding at July 2, 2023 and July 3, 2022, respectively. Holders of our common stock are entitled to one vote for each share on all matters voted on by shareholders.

Our Board of Directors previously authorized a stock repurchase program to buy back up to 3,839,395 outstanding shares of our common stock as of July 2, 2023. As of July 2, 2023, 3,655,322 shares have been repurchased under this program at a cost of approximately \$136.4 million. No shares were repurchased under this program during 2023 or 2022.

(LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share is computed on the basis of the weighted average number of shares of common stock outstanding during the applicable period. Diluted (loss) earnings per share is computed on the basis of the weighted average number of shares of common stock plus the potential dilutive common shares outstanding during the applicable period using the treasury stock method. Potential dilutive common shares include outstanding stock options and unvested restricted stock awards. A reconciliation of the components of the basic and diluted per share computations follows (in thousands, except per share amounts):

	Years Ended	
	July 2, 2023	July 3, 2022
Net (loss) income attributable to STRATTEC	\$ (6,670)	\$ 7,016
Weighted average shares of common stock outstanding	3,921	3,861
Incremental shares – stock based compensation	—	49
Diluted weighted average shares of common stock outstanding	3,921	3,910
Basic (loss) earnings per share	\$ (1.70)	\$ 1.82
Diluted (loss) earnings per share	\$ (1.70)	\$ 1.79

Potentially dilutive common shares that were excluded from the calculation of diluted earnings per share because their inclusion would have been antidilutive were as follows:

Years Ended	Number of Options Excluded
July 2, 2023	63,061
July 3, 2022	36,921

STOCK OPTION AND PURCHASE PLANS

A summary of stock option activity under our stock incentive plan was as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Balance at June 27, 2021	<u>72,624</u>	\$ 37.65		
Exercised	<u>(31,452)</u>	\$ 26.28		
Balance at July 3, 2022	<u>41,172</u>	\$ 46.34		
Exercised	<u>(4,251)</u>	\$ 25.64		
Forfeited	<u>(4,360)</u>	\$ 47.55		
Balance at July 2, 2023	<u>32,561</u>	\$ 48.88	0.4	\$ —
Exercisable as of:				
July 2, 2023	32,561	\$ 48.88	0.4	\$ —
July 3, 2022	41,172	\$ 46.34	1.2	\$ 31

No options were granted during fiscal 2023 or 2022.

A summary of restricted stock activity under our stock incentive plan was as follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested Balance at June 27, 2021	<u>81,975</u>	\$ 23.31
Granted	43,875	\$ 42.50
Vested	(38,000)	\$ 25.56
Forfeited	<u>(2,750)</u>	\$ 32.70
Nonvested Balance at July 3, 2022	<u>85,100</u>	\$ 31.89
Granted	49,050	\$ 29.91
Vested	(44,750)	\$ 29.00
Forfeited	<u>(1,500)</u>	\$ 32.03
Nonvested Balance at July 2, 2023	<u>87,900</u>	\$ 32.09

We have an Employee Stock Purchase Plan to provide substantially all U.S. full-time associates an opportunity to purchase shares of STRATTEC common stock through payroll deductions. A participant may contribute a maximum of \$5,200 per calendar year to the plan. On the last day of each month or if such date is not a trading day on the most recent previous trading day, participant account balances are used to purchase shares of our common stock at the average of the highest and lowest reported sales prices of a share of STRATTEC common stock on the NASDAQ Global Market on such date. A total of 100,000 shares may be issued under the plan. Shares issued from treasury stock under the plan totaled 3,342 at an average price of \$22.24 during 2023 and 2,186 at an average price of \$37.32 during 2022. A total of 45,802 shares remain available for purchase under the plan as of July 2, 2023.

EXPORT SALES

Total export sales, sales from the United States to locations outside of the United States, are summarized as follows (thousands of dollars and percent of total net sales):

	Years Ended			
	July 2, 2023		July 3, 2022	
	Net Sales	%	Net Sales	%
Export sales	\$ 135,637	28%	\$ 122,293	27%

During the year ended July 2, 2023, sales to Canada totaled \$51.3 million or 10 percent of total net sales. During the year ended July 3, 2022, no countries accounted for ten percent or more of total net sales.

PRODUCT SALES

Sales by product group were as follows (thousands of dollars and percent of total net sales):

	Years Ended			
	July 2, 2023		July 3, 2022	
	Net Sales	%	Net Sales	%
Door handles & exterior trim	\$ 121,908	25 %	\$ 111,805	25 %
Power access	114,053	23	95,662	21
Keys & locksets	108,878	22	107,274	24
Latches	57,797	11	48,947	11
Aftermarket & OE service	43,131	9	44,826	10
User Interface Controls (formerly Driver controls)	38,437	8	34,442	7
Other	8,742	2	9,309	2
	<u>\$ 492,946</u>	<u>100 %</u>	<u>\$ 452,265</u>	<u>100 %</u>

SALES AND RECEIVABLE CONCENTRATION

Sales to our largest customers were as follows (thousands of dollars and percent of total net sales):

	Years Ended			
	July 2, 2023		July 3, 2022	
	Net Sales	%	Net Sales	%
General Motors Company	\$ 150,331	30 %	\$ 130,184	29 %
Ford Motor Company	96,593	20	79,735	18
Stellantis	78,061	16	83,255	18
	<u>\$ 324,985</u>	<u>66 %</u>	<u>\$ 293,174</u>	<u>65 %</u>

Receivables from our largest customers were as follows (thousands of dollars and percent of gross receivables):

	July 2, 2023		July 3, 2022	
	Receivables	%	Receivables	%
	General Motors Company	\$ 27,532	30 %	\$ 24,594
Ford Motor Company	17,371	19	10,602	14
Stellantis	14,103	16	12,845	17
	<u>\$ 59,006</u>	<u>65 %</u>	<u>\$ 48,041</u>	<u>63 %</u>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended July 2, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management’s Annual Report on Internal Controls over Financial Reporting

STRATTEC SECURITY CORPORATION is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements and notes included in this annual report have been prepared in conformity with accounting principles generally accepted in the United States of America and necessarily include some amounts that are based on management’s best estimates and judgments.

We, as management of STRATTEC SECURITY CORPORATION, are responsible for establishing and maintaining effective internal control over financial reporting that is designed to produce reliable financial statements in conformity with United States generally accepted accounting principles. The system of internal control over financial reporting as it relates to the financial statements is evaluated for effectiveness by management and tested for reliability through a program of internal audits. Actions are taken to correct potential deficiencies as they are identified. Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation.

The Audit Committee of the Company’s Board of Directors, consisting entirely of independent directors, meets regularly with management and the independent registered public accounting firm, and reviews audit plans and results, as well as management’s actions taken in discharging responsibilities for accounting, financial reporting, and internal control. Deloitte & Touche LLP, independent registered public accounting firm, has direct and confidential access to the Audit Committee at all times to discuss the results of their audits.

Management assessed the Corporation’s system of internal control over financial reporting as of July 2, 2023, in relation to criteria for effective internal control over financial reporting as described in *Internal Control – Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment, management concluded that, as of July 2, 2023, its system of internal control over financial reporting was effective and met the criteria of the *Internal Control – Integrated Framework*. Deloitte & Touche LLP, independent registered public accounting firm, has issued an attestation report on the Corporation’s internal control over financial reporting, which is included herein.

/s/ Frank J. Krejci

Frank J. Krejci

President and Chief Executive Officer

/s/ Dennis Bowe

Dennis Bowe

Vice President and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of STRATTEC SECURITY CORPORATION

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of STRATTEC SECURITY CORPORATION and subsidiaries (the “Company”) as of July 2, 2023, based on criteria established in *Internal Control —Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of July 2, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended July 2, 2023, of the Company and our report dated September 7, 2023, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Milwaukee, Wisconsin
September 7, 2023

ITEM 9B. OTHER INFORMATION

Not applicable.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information included in our Proxy Statement, dated on or about September 7, 2023, under “Proposal 1: Election of Directors,” “Corporate Governance Matters-Code of Business Ethics,” “Audit Committee Matters-Audit Committee Financial Expert,” “Executive Officers,” “Delinquent Section 16(a) Reports,” “Director’s Meetings and Committees – Nominating and Corporate Governance Committee,” and “Corporate Governance Matters-Director Nominations” is incorporated herein by reference.

The Audit Committee of our Board of Directors is an “audit committee” for purposes of Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the Audit Committee consist of four outside independent directors, David R. Zimmer, Audit Committee Chairman, Thomas W. Florsheim, Jr., Michael J. Koss, and Tina Chang.

ITEM 11. EXECUTIVE COMPENSATION

The information included in our Proxy Statement, dated on or about September 7, 2023, under “Director Compensation” and “Executive Compensation” is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information included in our Proxy Statement, dated on or about September 7, 2023, under “Security Ownership” is incorporated herein by reference.

Equity Compensation Plan Information

The following table summarizes share information, as of July 2, 2023, for our Amended and Restated Stock Incentive Plan.

<u>Plan Category</u>	<u>Number of common shares to be issued upon exercise of outstanding options, warrants, and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants, and rights</u>	<u>Number of common shares available for future issuance under equity compensation plans</u>
Equity compensation plans approved by shareholders	32,561	\$ 48.88	134,769
Equity compensation plans not approved by shareholders	—	—	—
Total	<u>32,561</u>	<u>\$ 48.88</u>	<u>134,769</u>

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information included in our Proxy Statement, dated on or about September 7, 2023, under “Transactions With Related Persons” and “Corporate Governance Matters-Director Independence” is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information included in our Proxy Statement, dated on or about September 7, 2023, under “Audit Committee Matters-Fees of Independent Registered Public Accounting Firm” is incorporated herein by reference.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

10 (a) Financial Statements

See Item 8 for the Consolidated Financial Statements included in this Form 10-K

(b) Exhibits

See the following List of Exhibits:

Exhibit

3.1 ⁽¹³⁾	Amended and Restated Articles of Incorporation of the Company	*
3.2 ⁽¹⁹⁾	Amendment to Amended and Restated Articles of Incorporation of the Company	*
3.3 ⁽²⁶⁾	Amendment to Amended and Restated Articles of Incorporation of the Company	*
3.4 ⁽¹⁾	Amended By-laws of the Company	*
4.1 ⁽²⁰⁾	Description of Registrants' Securities	*
4.2 ⁽²⁾	Credit Agreement, dated as of August 1, 2011, between STRATTEC SECURITY CORPORATION and BMO Harris Bank N.A., as lender	*
4.3 ⁽¹²⁾	Amendment No. 1 to Amended and Restated Security Agreement, dated as of June 26, 2017, between STRATTEC SECURITY CORPORATION and BMO Harris Bank N.A., as lender	*
4.4 ⁽¹³⁾	Amended and Restated Security Agreement, dated as of June 28, 2012, made by STRATTEC SECURITY CORPORATION in favor of BMO Harris Bank N.A., as lender	*
4.5 ⁽⁵⁾	Amendment No. 1 to Credit Agreement, dated as of December 27, 2013, between STRATTEC SECURITY CORPORATION and BMO Harris Bank N.A., as lender	*
4.6 ⁽⁶⁾	Amendment No. 2 to Credit Agreement, dated as of June 25, 2015, between STRATTEC SECURITY CORPORATION and BMO Harris Bank N.A., as lender	*
4.7 ⁽¹⁰⁾	Amendment No. 3 to Credit Agreement, dated as of June 24, 2016, between STRATTEC SECURITY CORPORATION and BMO Harris Bank N.A., as lender	*
4.8 ⁽¹²⁾	Amendment No. 4 to Credit Agreement, dated as of June 26, 2017, between STRATTEC SECURITY CORPORATION and BMO Harris Bank N.A., as lender	*
4.9 ⁽¹⁵⁾	Amendment No. 5 to Credit Agreement, dated as of September 28, 2018, between STRATTEC SECURITY CORPORATION and BMO Harris Bank N.A., as lender	*
4.10 ⁽¹⁸⁾	Amendment No. 6 to Credit Agreement, dated as of October 28, 2019, between STRATTEC SECURITY CORPORATION and BMO Harris Bank N.A., as lender	*
4.11 ⁽²⁴⁾	Amendment No. 7 to Credit Agreement, dated as of June 1, 2021, between STRATTEC SECURITY CORPORATION and BMO Harris Bank N.A., as lender	*
4.12 ⁽²⁷⁾	Amendment No. 8 to Credit Agreement, dated as of February 22, 2023, between STRATTEC SECURITY CORPORATION and BMO Harris Bank N.A., as lender	*
4.13 ⁽³¹⁾	Amendment No. 9 to Credit Agreement, dated as of August 22, 2023 and effective as of September 6, 2023, between STRATTEC SECURITY CORPORATION and BMO Harris Bank N.A. as lender	*
4.14 ⁽⁶⁾	Credit Agreement, dated as of June 28, 2012, between ADAC-STRATTEC LLC and BMO Harris Bank N.A., as lender	*
4.15 ⁽⁶⁾	Amendment No. 1 to Credit Agreement, dated as of January 22, 2014, between ADAC-STRATTEC LLC and BMO Harris Bank N.A., as lender	*
4.16 ⁽⁶⁾	Amendment No. 2 to Credit Agreement, dated as of June 25, 2015, between ADAC-STRATTEC LLC and BMO Harris Bank N.A., as lender	*
4.17 ⁽⁹⁾	Amendment No. 3 to Credit Agreement, dated as of April 27, 2016, between ADAC-STRATTEC LLC and BMO Harris Bank N.A., as lender	*
4.18 ⁽¹²⁾	Amendment No. 4 to Credit Agreement, dated as of June 26, 2017, between ADAC-STRATTEC LLC and BMO Harris Bank N.A., as lender	*
4.19 ⁽¹⁴⁾	Amendment No. 5 to Credit Agreement, dated as of March 27, 2018, between ADAC-STRATTEC LLC and BMO Harris Bank N.A., as lender	*
4.20 ⁽¹⁶⁾	Amendment No. 6 to Credit Agreement, dated as of December 30, 2018, between ADAC-STRATTEC LLC and BMO Harris Bank N.A., as lender	*
4.21 ⁽¹⁸⁾	Amendment No. 7 to Credit Agreement, dated as of October 28, 2019, between ADAC-STRATTEC LLC and BMO Harris Bank N.A., as lender	*
4.22 ⁽²⁴⁾	Amendment No. 8 to Credit Agreement, dated as of June 1, 2021, between ADAC-STRATTEC LLC and BMO Harris Bank N.A., as lender	*
4.23 ⁽²⁸⁾	Amendment No. 9 to Credit Agreement, dated as of February 6, 2023, between ADAC-STRATTEC LLC and BMO Harris Bank N.A., as lender	*
10.1 ^{(21)**}	Amended and Restated STRATTEC SECURITY CORPORATION Stock Incentive Plan (Incorporated by reference from Appendix B to the Company's Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on September 3, 2020.)	*

10.2	^{(22)**}	Form of Restricted Stock Grant Agreement with Employees to be used under the Amended and Restated STRATTEC SECURITY CORPORATION Stock Incentive Plan	*
10.3	^{(30)**}	STRATTEC SECURITY CORPORATION Team Incentive Plan for STRATTEC: Bonus Plan for Executive Officers and Senior Managers	*
10.4	^{(17)**}	STRATTEC SECURITY CORPORATION Team Incentive Plan for STRATTEC: Bonus Plan for Non-employee Members of the Board of Directors	*
10.5	^{(17)**}	STRATTEC SECURITY CORPORATION Team Incentive Plan for STRATTEC: Bonus Plan for Salaried Employees and Represented Employees	*
10.6	^{(7)**}	Amended and Restated STRATTEC SECURITY CORPORATION Supplemental Executive Retirement Plan	*
10.7	^{(3)**}	Employment Agreement between the Company and Frank J. Krejci made as of May 5, 2010	*
10.8	^{(3)**}	Employment Agreement between the Company and Patrick J. Hansen made as of May 5, 2010	*
10.9	^{(3)**}	Employment Agreement between the Company and Rolando J. Guillot made as of May 5, 2010	*
10.10	^{(3)**}	Employment Agreement between the Company and Richard P. Messina made as of May 5, 2010	*
10.11	^{(13)**}	Employment Agreement between the Company and Al Hamdan made as of May 4, 2017	*
10.12	^{(29)**}	Employment Agreement between the Company and Dennis Bowe entered into on May 5, 2023 and made effective as of September 9, 2022	*
10.13	^{(11)**}	Change of Control Employment Agreement between the Company and Frank J. Krejci made as of July 1, 2016	*
10.14	^{(11)**}	Change of Control Employment Agreement between the Company and Patrick J. Hansen made as of July 1, 2016	*
10.15	^{(11)**}	Change of Control Employment Agreement between the Company and Rolando J. Guillot made as of July 1, 2016	*
10.16	^{(11)**}	Change of Control Employment Agreement between the Company and Richard P. Messina made as of July 1, 2016	*
10.17	^{(13)**}	Change of Control Employment Agreement between the Company and Al Hamdan made as of May 4, 2017	*
10.18	^{(29)**}	Change of Control Employment Agreement between the Company and Dennis Bowe entered into on May 5, 2023 and made effective as of September 9, 2022	*
10.19	^{(8)**}	Form of Restricted Stock Grant Agreement with non-employee directors	*
10.20	^{(23)**}	STRATTEC SECURITY CORPORATION EMPLOYEE STOCK PURCHASE PLAN (Amended effective as of February 22, 2021)	*
10.21	^{(4)**}	Letter Agreement between the Company and Harold M. Stratton II made as of September 1, 2012	*
10.22		Equity Restructuring Agreement between the Company and WITTE Automotive GmbH dated as of June 29, 2023	
16.1	⁽²⁵⁾	Letter regarding Change in Auditors	*
21		Subsidiaries of the Company	
23.1		Consent of Independent Registered Public Accounting Firm dated September 7, 2023	
23.2		Consent of Independent Registered Public Accounting Firm dated September 7, 2023	
31.1		Rule 13a-14(a) Certification for Frank J. Krejci, Chief Executive Officer	
31.2		Rule 13a-14(a) Certification for Dennis Bowe, Chief Financial Officer	
32	⁽³²⁾	18 U.S.C. Section 1350 Certifications	
101		Interactive Data Files pursuant to Rule 405 of Regulation S-T. XBRL Instance Document – the XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	
104		The cover page from the Company’s Annual Report on Form 10-K for the year ended July 2, 2023 has been formatted in Inline XBRL.	

* Previously filed

** Management contract or compensatory plan or arrangement

-
- (1) Incorporated by reference from the exhibit to the Form 8-K filed on October 7, 2005.
- (2) Incorporated by reference from the exhibit to the Form 8-K filed on August 4, 2011.
- (3) Incorporated by reference from the exhibit to the March 28, 2010 Form 10-Q filed on May 6, 2010.
- (4) Incorporated by reference from the exhibit to the July 1, 2012 Form 10-K filed on September 6, 2012.
- (5) Incorporated by reference from the exhibit to the Form 8-K filed on December 27, 2013.
- (6) Incorporated by reference from the exhibit to the Form 8-K filed on June 25, 2015.
- (7) Incorporated by reference from the exhibit to the Form 8-K filed on October 10, 2013.
- (8) Incorporated by reference from the exhibit to the Form 10-K filed on September 5, 2014.
- (9) Incorporated by reference from the exhibit to the Form 8-K filed on April 29, 2016.
- (10) Incorporated by reference from the exhibit to the Form 8-K filed on June 24, 2016.
- (11) Incorporated by reference from the exhibit to the Form 10-K filed on September 8, 2016.
- (12) Incorporated by reference from the exhibit to the Form 8-K filed on June 27, 2017.
- (13) Incorporated by reference from the exhibit to the Form 10-K filed on September 7, 2017.
- (14) Incorporated by reference from the exhibit to the Form 8-K filed on March 27, 2018.
- (15) Incorporated by reference from the exhibit to the Form 8-K filed on September 28, 2018.
- (16) Incorporated by reference from the exhibit to the Form 8-K filed on December 31, 2018.
- (17) Incorporated by reference from the exhibit to the Form 10-K filed on September 5, 2019.
- (18) Incorporated by reference from the exhibit to the Form 8-K filed on October 28, 2019.
- (19) Incorporated by reference from the exhibit to the Form 10-Q filed on November 7, 2019.
- (20) Incorporated by reference from the exhibit to the Form 10-K filed on September 3, 2020.
- (21) Incorporated by reference from Appendix B to the Company’s Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on September 3, 2020.
- (22) Incorporated by reference from the exhibit to the Form 10-Q filed on November 5, 2020.

- (23) Incorporated by reference from the exhibit to the Form 10-Q filed on May 6, 2021.
- (24) Incorporated by reference from the exhibit to the Form 8-K filed on June 2, 2021.
- (25) Incorporated by reference from the exhibit to the Form 8-K filed on December 13, 2022.
- (26) Incorporated by reference from the exhibit to the Form 8-K filed on October 21, 2021.
- (27) Incorporated by reference from the exhibit to the Form 8-K filed on February 27, 2023.
- (28) Incorporated by reference from the exhibit to the Form 8-K filed on February 7, 2023.
- (29) Incorporated by reference from the exhibit to the Form 8-K filed on May 8, 2023.
- (30) Incorporated by reference from the exhibit to the Form 10-Q filed on October 2, 2022.
- (31) Incorporated by reference from the exhibit to the Form 8-K filed on August 25, 2023.
- (32) 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.

ITEM 16. FORM 10-K SUMMARY

None

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STRATTEC SECURITY CORPORATION

By: /s/ Frank J. Krejci

Frank J. Krejci

President and Chief Executive Officer

Date: September 7, 2023

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Frank J. Krejci</u> Frank J. Krejci	President, Chief Executive Officer, and Director (Principal Executive Officer)	September 7, 2023
<u>/s/ Harold M. Stratton II</u> Harold M. Stratton II	Chairman and Director	August 22, 2023
<u>/s/ Michael J. Koss</u> Michael J. Koss	Director	August 22, 2023
<u>/s/ Thomas W. Florsheim, Jr.</u> Thomas W. Florsheim, Jr.	Director	August 22, 2023
<u>/s/ David R. Zimmer</u> David R. Zimmer	Director	August 22, 2023
<u>/s/ Tina Chang</u> Tina Chang	Director	August 22, 2023
<u>/s/ Dennis Bowe</u> Dennis Bowe	Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer)	September 7, 2023

AGREEMENT ON EQUITY RESTRUCTURING

by and among

STRATTEC SECURITY CORPORATION,

and

WITTE AUTOMOTIVE GMBH

June 29, 2023

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AGREEMENT ON EQUITY RESTRUCTURING

This Agreement on Equity Restructuring (this “**Equity Restructuring Agreement**”), dated as of June 29, 2023, is made by and among STRATTEC SECURITY CORPORATION, a Wisconsin corporation (“**STRATTEC**”) and WITTE AUTOMOTIVE GMBH, a limited liability company incorporated under the laws of the Federal Republic of Germany (“**WITTE**”). Certain capitalized terms used herein are defined in ARTICLE 1.

RECITALS

WHEREAS, STRATTEC owns five hundred (500) Voting Units (the “**Sold VAST Membership Interests**”) in Vehicle Access Systems Technology LLC, a Delaware limited liability company (“**VAST**”), representing a one-third (1/3) interest in all of the outstanding limited liability company membership interests in VAST (the “**STRATTEC Membership Share**”).

WHEREAS, STRATTEC desires to sell to WITTE, and WITTE desires to purchase from STRATTEC, all of the Sold VAST Membership Interests subject to the terms and conditions set forth herein.

WHEREAS, WITTE owns 200 Voting Units (the “**Sold SPA Membership Interests**”) in STRATTEC Power Access LLC, a Delaware limited liability company (“**SPA**”), representing a one-fifth (1/5) interest in all of the outstanding limited liability company membership interests in SPA.

WHEREAS, STRATTEC currently owns 800 Voting Units in SPA, representing a four-fifths (4/5) interest in all of the outstanding limited liability company membership interests in SPA.

WHEREAS, WITTE desires to sell to STRATTEC, and STRATTEC desires to purchase from WITTE, all of the Sold SPA Membership Interests subject to the terms and conditions set forth herein.

WHEREAS, WITTE has entered with ADAC Plastics, Inc. (“**ADAC**”) into a sale and purchase agreement regarding the sale and purchase of the limited liability company membership interests held by ADAC in VAST by ADAC to WITTE (the “**ADAC Purchase Agreement**”) and which ADAC ownership interest in VAST represents a one-third (1/3) interest in all of the outstanding limited liability company membership interests in VAST.

WHEREAS, the Parties are aware and acknowledge that the execution of this Equity Restructuring Agreement, and the entering into the transactions set forth in this Equity Restructuring Agreement, by STRATTEC and WITTE, has not yet been approved by the Board of Directors of STRATTEC (the “**STRATTEC Board**”) and the Advisory Board of WITTE (the “**WITTE Board**”), and that STRATTEC and WITTE desire to reserve the right to terminate this Agreement and any obligation to consummate the transactions set forth herein if such approval is not granted until June 30, 2023, at the next

ordinary meeting or a special meeting of the STRATTEC Board and the WITTE Board, respectively.

NOW, THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and agreements in this Equity Restructuring Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE 1
DEFINITIONS

The following terms have the meanings specified or referred to in this **Article 1**:

“**Action**” means any legal, administrative, arbitral, mediation or other alternative dispute resolution procedure having the effect of Law or binding upon a Party or other action, proceeding, claim, assessment, suit, charge, arbitration, audit, inquiry or similar investigation before any court, arbitrator or other Governmental Authority or quasi-Governmental Authority.

“**Additional STRATTEC Payment**” has the meaning set forth in **Section 1.02(c)** of the SPA Membership Purchase Agreement.

“**ADAC**” has the meaning set forth in the recitals.

“**ADAC Purchase Agreement**” has the meaning set forth in the recitals.

“**Affiliate**” means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such Person. For purposes of this definition, “control” of a Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person whether through ownership of voting securities or ownership interests, by Contract or otherwise.

“**Ancillary Agreements**” means the VAST Ancillary Agreements, SPA Ancillary Agreements and VAST Korea Ancillary Agreements.

“**Business Day**” means a day other than Saturday, Sunday or any day on which banks located in Düsseldorf (Germany), the State of Wisconsin and the State of Delaware are authorized or obligated to close.

“**Chinese Withholding Tax Amount**” has the meaning set forth in **Section 4.02** of the VAST Membership Interest Purchase Agreement.

“**Closing**” has the meaning set forth in **Section 4.01**.

“**Closing Date**” has the meaning set forth in **Section 4.01**.

“**Closing Date Payment**” has the meaning set forth in **Section 1.02** of the VAST Membership Interest Purchase Agreement.

“**Code**” means the United States Internal Revenue Code of 1986, as amended.

“**Compliance Action**” has the meaning set forth in **Section 7.01(a)**.

“**Contract**” means any written or oral contract, instrument, agreement, lease, sublease, easement, evidence of Indebtedness, mortgage, licenses (other than Permits), sublicenses, indenture, security agreement, grant agreement, incentive agreement, or any other legally binding understanding, commitment or agreement.

“**Contracting Party**” has the meaning set forth in **Section 9.09**.

“**Cooperation Framework Agreement**” has the meaning set forth in **Section 7.01(f)**.

“**Direct Claim**” has the meaning set forth in **Section 6.05(c)**.

“**Dollars or \$**” means the lawful currency of the United States.

“**Encumbrance**” means any charge, claim, community property interest, pledge, condition, equitable interest, lien (statutory or other), option, security interest, mortgage, easement, encroachment, right of way, right of first refusal, or restriction of any kind, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership whether arising by Contract or under any applicable Laws and whether or not filed, recorded or otherwise perfected or effective under any applicable Laws, or any preference, priority or preferential arrangement of any kind or nature whatsoever including the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

“**Enforceability Exceptions**” has the meaning set forth in **Section 5.01(a)**.

“**Equity Restructuring Agreement**” is defined in the preamble to this Equity Restructuring Agreement.

“**Fraud**” means any conduct or actions that constitute actual common law fraud under Delaware Law but does not, for the avoidance of doubt, include any constructive fraud or claims based upon constructive knowledge, negligent misrepresentation or similar theories to the extent not constituting actual common law fraud under Delaware Law.

“**Fundamental Representations**” means the representations and warranties in **Section 5.01(a)**, **Section 5.01(c)**, **Section 5.02(a)** and **Section 5.02(c)** as well as the VAST Fundamental Representations and the SPA Fundamental Representations.

“**GAAP**” means United States generally accepted accounting principles in effect from time to time, consistently applied by the applicable Person.

“Governmental Authority” means any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority exercising authority over an applicable Person, or any arbitrator or arbitral body (whether public or private), court or tribunal of competent jurisdiction.

“Governmental Order” means any order, writ, judgment, injunction, decision, decree, stipulation, determination, ruling, award, settlement or other agreement entered by or with any Governmental Authority.

“Indemnified Party” has the meaning set forth in **Section 6.05**.

“Indemnifying Party” has the meaning set forth in **Section 6.05**.

“IRS” means the United States Internal Revenue Service, and any successor agency thereof.

“Knowledge” means (a) as to STRATTEC, the actual knowledge of Frank Krejci, Al Hamdan and Dennis Bowe after reasonable inquiry and (b) as to WITTE, the actual knowledge of Rainer Gözl, Christian Kaczmarczyk and Anne-Katrin Brinkmann after reasonable inquiry.

“Law” means any statute, law (including common law), act, ordinance, regulation, rule, code, order, treaty, judgment, injunction, writ, ruling, decree or any other requirement, criteria, or legally binding policy or guideline, enacted, issued, adopted, promulgated, enforced, ordered or applied by any Governmental Authority.

“Lien” shall mean any mortgage, deed of trust, lien (choate or inchoate), license, sublicense, pledge, charge, claim, option, right of first refusal, voting trust, proxy, security interest, assessment, reservation, assignment, hypothecation, defect in title, encroachment and other burden, restrictive covenant, condition or restriction or easement or encumbrance of any kind, whether arising by Contract or under any applicable Laws and whether or not filed, recorded or otherwise perfected or effective under any applicable Laws, or any preference, priority or preferential arrangement of any kind or nature whatsoever including the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

“Losses” means losses, damages, obligations, assessments, settlement payments, liabilities, deficiencies, charges, Actions, judgments, interest, awards, Taxes, penalties, fines, costs or expenses of whatever kind, including reasonable attorneys’ fees and the reasonable cost of enforcing any right to indemnification hereunder; *provided, however*, that **“Losses”** shall not include consequential, incidental, special, exemplary or punitive damages, except to the extent actually awarded and payable to a Governmental Authority or other third party, or any damages based on or calculated by reference to a multiple of earnings, multiple of revenue or similar theory.

“Material Adverse Effect” means any event, occurrence, fact, condition or change outside the control of a Party that is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to (a) the ability of STRATTEC or WITTE to consummate the transactions contemplated hereby on a timely basis, or (b) the business, results of operations, condition (financial or otherwise) or assets of VAST; *provided, however*, that none of the following changes will constitute, or will be considered in determining whether there has occurred, and no fact, event, circumstance, change, effect, development, or condition resulting from or arising out of any of the following will constitute, a Material Adverse Effect: (i) the announcement of the execution of this Equity Restructuring Agreement or any other transaction document or the intended consummation of the transactions contemplated by this Equity Restructuring Agreement in accordance with their respective terms; (ii) the failure of VAST to meet any financial projections, performance measures or operating statistics (*provided* that the facts and circumstances underlying any such failure may be considered in determining whether there has occurred a Material Adverse Effect); (iii) any general economic conditions generally affecting the economies or the industries in which VAST operates; (iv) any national or international political or social conditions, including the engagement by the United States (or any other country in which any of VAST or its subsidiaries do business) in hostilities, whether or not pursuant to the declaration of a national emergency, war or the occurrence of any military or terrorist attack on the United States or any of its territories, possessions, offices or military installations (or any other country in which any of VAST or its subsidiaries do business or any of their respective territories, possessions, offices or military installations); (v) any general financial, banking or securities market conditions (including any disruption thereof and any decline in the price of any security or market index); and (vi) any change in any Law, Governmental Orders or GAAP applicable to VAST; (vii) any epidemics, pandemics, or disease outbreaks (including COVID-19), public health emergencies or any quarantine, national or regional emergency or other governmental acts taken in response, including as may be required to comply with any quarantine, “shelter in place”, “stay at home”, workforce reduction, social distancing, shut down, closure, sequester or any other Law, Governmental Order, directive, guidelines or recommendations by any Governmental Authority in connection with or in response to COVID-19; and (viii) the taking of any action required or expressly permitted by this Equity Restructuring Agreement or any other transaction documents, including the completion of the transactions contemplated hereby and thereby in accordance with their respective terms; *provided, that*, with respect to a matter described in any of the foregoing clauses (iii)-(viii) of this definition, such matter does not have a disproportionate adverse effect on VAST taken as a whole relative to other comparable businesses operating in the industries in which VAST, operates; or (c) prevents STRATTEC or WITTE from consummating, or materially impairs or delays the ability of STRATTEC or WITTE to consummate, the transactions contemplated by this Equity Restructuring Agreement.

“Minda-VAST” means MINDA-VAST Access Systems Private Limited India and each of its Subsidiaries.

“Non-Recourse Party” has the meaning set forth in **Section 9.09**.

“Organizational Documents” means (a) in the case of a Person that is a corporation, its articles or certificate of incorporation and its by-laws, regulations, shareholder agreements or similar governing instruments; (b) in the case of a Person that is a partnership, its articles or certificate of partnership, formation or association, and its partnership agreement (in each case, limited, limited liability, general or otherwise); (c) in the case of a Person that is a limited liability company, its articles or certificate of formation or organization, and its limited liability company agreement or operating agreement; and (d) in the case of a Person that is not a corporation, partnership (limited, limited liability, general or otherwise), limited liability company or natural person, its organizational filings and governing Contracts.

“Parties” means STRATTEC and WITTE.

“Permits” means any permit, license, approval, consent, order, registration, privilege, tariff, franchise, membership, certificate, certification, entitlement, exemption and other authorization, in each case issued by or under the authority of any Governmental Authority.

“Permitted Liens” means any (a) Lien for Taxes arising in the ordinary course of business not yet due and payable or that is being contested in good faith by appropriate proceedings and for which adequate reserves have been established on the financial statements of the applicable Person in accordance with GAAP; (b) mechanics’, materialmen’s, repairmen’s and other similar Liens arising in the ordinary course of business;

“Person” means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association, or other entity.

“PN7” has the meaning set forth in **Section 4.02** of the VAST Membership Interest Purchase Agreement.

“PRC” has the meaning set forth in **Section 4.02** of the VAST Membership Interest Purchase Agreement.

“Receivable Purchase Agreement” has the meaning set forth in **Section 4.02(a)(v)**.

“Representative” means, with respect to any Person, any and all partners, directors, managing members, managers, officers, employees, independent contractors, consultants, financial advisors, counsel, accountants, agents, trustees and other representatives of such Person.

“Sold VAST Membership Interests” has the meaning set forth in the recitals.

“Sold SPA Membership Interests” has the meaning set forth in the recitals.

“SPA” has the meaning set forth in the recitals.

“**SPA Ancillary Agreements**” means the other documents and agreements to be delivered pursuant to the SPA Membership Interest Purchase Agreement.

“**SPA Assignment**” has the meaning set forth in **Section 1.03(b)(i)** of the SPA Membership Interest Purchase Agreement.

“**SPA Fundamental Representations**” means the representations and warranties set forth in **Section 2.01** (other than in Section 2.01(d)), **Section 2.02** and **Section 3.01** of the SPA Membership Interest Purchase Agreement.

“**SPA Indemnification Basket**” has the meaning set forth in **Section 6.04(c)(i)**.

“**SPA Indemnification Cap**” has the meaning set forth in **Section 6.04(c)(ii)**.

“**SPA Membership Interest Purchase Agreement**” has the meaning set forth in **ARTICLE 3**.

“**SPA Party**” means any or all of SPA and its Subsidiaries.

“**SPA Purchase Price**” has the meaning set forth in **Section 1.02(a)** of the SPA Membership Interest Purchase Agreement.

“**SPA Transfer Taxes**” has the meaning set forth in **Section 4.01** of the SPA Membership Interest Purchase Agreement.

“**STRATTEC**” has the meaning set forth in the preamble.

“**STRATTEC Board**” has the meaning set forth in the recitals.

“**STRATTEC’s Board Member**” means each member of the Board of Directors of VAST or a VAST Party designated by STRATTEC.

“**STRATTEC Claims**” has the meaning set forth in **Section 7.04(a)**.

“**STRATTEC Indemnification Basket**” has the meaning set forth in **Section 6.04(a)(i)**.

“**STRATTEC Indemnification Cap**” has the meaning set forth in **Section 6.04(a)(iii)**.

“**STRATTEC Indemnitees**” has the meaning set forth in **Section 6.03**.

“**STRATTEC Membership Share**” is defined in the recitals.

“**STRATTEC Release**” has the meaning set forth in **Section 7.04**.

“**STRATTEC Released Parties**” has the meaning set forth in **Section 7.04**.

“**STRATTEC Releasing Party**” has the meaning set forth in **Section 7.04**.

“Subsidiary” means, with respect to any Person of which (a) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (b) if a limited liability company, partnership, association or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of the Person or a combination thereof. For purposes of clause (b) hereof, a Person or Persons will be deemed to have a majority ownership interest in a limited liability company, partnership or association, or other business entity if (i) such Person or Persons will be allocated a majority of limited liability company, partnership or association or other business entity gains or losses, and (ii) (A) directly, through the exercise of voting rights, by Contract or otherwise, has the right to direct the management of such entity or (B) controls any managing member or general partner of such limited liability company, partnership, association or other business entity.

“Tax Return” means any return, declaration, report, claim for refund, information return, or statement or other document relating to Taxes, including any election, declaration, disclosure, estimate, schedule or attachment thereto, and including any amendment thereof.

“Taxes” means (a) all federal, state, local, foreign and other income, gross receipts, net proceeds, sales, use, production, ad valorem, transfer, franchise, registration, profits, license, lease, service, service use, withholding, payroll, employment, unemployment, estimated, excise, severance, environmental, stamp, occupation, premium, property (real or personal), real property gains, windfall profits, escheat or unclaimed property charges, utility, customs, duties or other taxes, fees, imposts, levies, assessments, impositions, escheatage or charges of any kind whatsoever, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties, and (b) any liability for the payment of, or in respect of, any amounts of the type described in clause (a) of this definition under Treasury Regulations Section 1.1502-6 or any comparable provisions of foreign, state or local Law, as a transferee or successor, by contract or assumption or otherwise.

“Taxing Authority” means the Internal Revenue Service and any other Governmental Authority that has the right to impose Taxes on any of the Company or its respective Subsidiaries.

“Third Party Claim” has the meaning set forth in **Section 6.05(a)**.

“Transition Period” has the meaning set forth in **Section 7.01(i)**.

“VAST” has the meaning set forth in the recitals.

“VAST Ancillary Agreements” means the other documents and agreements to be delivered pursuant to the VAST Membership Interest Purchase Agreement.

“**VAST Assignment**” has the meaning set forth in **Section 1.03(b)(i)** of the VAST Membership Interest Purchase Agreement.

“**VAST Brasil**” means each of VAST do Brasil Limitada, VAST Brasil Holdings LLC, VAST SA Holdings LLC, Sistema de Acesso Veicular Ltda., Vehicle Systems SA Holdings LLC, Vehicle Systems Brazil Holdings LLC and Vésper Comercio e Servicos Ltda.

“**VAST China**” means each of VAST China Co. Ltd., VAST Fuzhou Co. Ltd., VAST Shanghai Co. Ltd. and VAST Jingzhou Co. Ltd., each of which is a Subsidiary of VAST and a VAST Party.

“**VAST Fundamental Representations**” means the representations and warranties set forth in **Section 2.01** (other than in Section 2.01(d)), **Section 2.02** and **Section 3.01** of the VAST Membership Interest Purchase Agreement.

“**VAST Indemnification Basket**” has the meaning set forth in **Section 6.04(b)(i)**.

“**VAST Indemnification Cap**” has the meaning set forth in **Section 6.04(b)(ii)**.

“**VAST Korea**” has the meaning set forth in **Section 4.02(a)(iii)**.

“**VAST Korea Ancillary Agreements**” means the other documents and agreements to be delivered pursuant to the VAST Korea Purchase Agreement.

“**VAST Korea Purchase Agreement**” has the meaning set forth in **Section 4.02(a)(iii)**.

“**VAST Korea Purchase Price**” has the meaning set forth in **Section 4.02(a)(iii)**.

“**VAST Membership Interest Purchase Agreement**” has the meaning set forth in ARTICLE 2.

“**VAST Operating Agreement**” means the Third Amended and Restated Operating Agreement of the Company effective July 1, 2007.

“**VAST Purchase Price**” has the meaning set forth in **Section 1.02** of the VAST Membership Interest Purchase Agreement.

“**VAST Party**” means any or all of VAST and its Subsidiaries. For the avoidance of doubt VAST Party does not include VAST Korea from and after the Closing.

“**VAST Transfer Taxes**” has the meaning set forth in **Section 4.01** of the VAST Membership Interest Purchase Agreement.

“**VDB**” has the meaning set forth in **Section 7.01(a)**.

“**VSBH**” has the meaning set forth in **Section 7.01(a)**.

“**Vesper**” has the meaning set forth in **Section 7.01(a)**.

“**VSSA Holding**” has the meaning set forth in **Section 7.01(a)**.

“**WITTE**” has the meaning set forth in the preamble.

“**WITTE Board**” has the meaning set forth in the recitals.

“**WITTE Claims**” has the meaning set forth in **Section 7.05(a)**.

“**WITTE Indemnification Basket**” has the meaning set forth in **Section 6.04(a)(ii)**.

“**WITTE Indemnification Cap**” has the meaning set forth in **Section 6.04(a)(iii)**.

“**WITTE Indemnitees**” has the meaning set forth in **Section 6.02**.

“**WITTE Release**” has the meaning set forth in **Section 7.05(a)**.

“**WITTE Released Parties**” has the meaning set forth in **Section 7.05(a)**.

“**WITTE Releasing Party**” has the meaning set forth in **Section 7.05(a)**.

ARTICLE 2

VAST MEMBERSHIP INTEREST PURCHASE AGREEMENT

STRATTEC and WITTE hereby enter into the membership interest purchase agreement regarding the Sold VAST Membership Interests attached to this Equity Restructuring Agreement as **Exhibit A** (the “**VAST Membership Interest Purchase Agreement**”).

ARTICLE 3

SPA MEMBERSHIP INTEREST AGREEMENT

STRATTEC and WITTE hereby enter into the membership interest purchase agreement regarding the Sold SPA Membership Interests attached to this Equity Restructuring Agreement as **Exhibit B** (the “**SPA Membership Interest Purchase Agreement**”).

ARTICLE 4

CLOSING

Section 4.01 Closing

Subject to the terms and conditions of this Equity Restructuring Agreement, the transactions contemplated hereby (including, for the avoidance of doubt, the transactions set forth in Exhibit A and Exhibit B) shall take place at a closing (the “**Closing**”) to be held at 9:00 a.m. Eastern Time no later than two (2) Business Days after the last of the conditions to closing set forth in **Section 4.02** have been satisfied or waived (other than conditions

which, by their nature, are to be satisfied on the Closing Date), remotely by electronic exchange of documents and signatures (or their electronic counterparts) and by wire transfer of immediately available funds, or at such other time or on such other date or at such other place as the Parties may mutually agree upon in writing, but in any event not prior to June 30, 2023 (the day on which the Closing takes place being the “**Closing Date**”); provided, however, that, notwithstanding anything to the contrary in this Agreement, the VAST Membership Interest Purchase Agreement or any other agreement contemplated hereby or thereby, with respect to each of VAST Brasil, VAST China and Minda-VAST, the transactions contemplated hereby shall be deemed for all accounting and tax purposes to be effective as of the last day of the month that precedes the month in which the Closing Date occurs (the “**Early Effective Date**”), such that STRATTEC – subject to Section 4 of the VAST Membership Interest Purchase Agreement – shall not be allocated any income, profits, losses or other accounting items, or bear any responsibility for any liabilities for Taxes arising from the ownership or operations of VAST Brasil, VAST China or Minda-VAST during the period from and after the Early Effective Date through the Closing Date; provided that in the event of a Material Adverse Effect on VAST occurring between the Early Effective Date and the Closing Date, STRATTEC shall indemnify WITTE from any Losses incurred out of or in connection with such Material Adverse Effect in an amount equal to applicable amount of Losses multiplied by the STRATTEC Membership Share. Irrespective of the Early Effective Date concept, any reference to the Closing or the Closing Date refers only to the Closing and the actual Closing Date without referring to the Early Effective Date, unless the respective provision explicitly provides for the application of the Early Effective Date.

Section 4.02 Closing Conditions.

(a) Conditions to Obligations of All Parties. The obligations of each Party to consummate the transactions contemplated by (i) this Equity Restructuring Agreement, (ii) the VAST Membership Interest Purchase Agreement, (iii) the SPA Membership Purchase Interest Agreement and (iv) the VAST Korea Purchase Agreement shall be subject to the fulfillment, at or prior to the Closing but not later than June 30, 2023, of each of the following conditions:

(i) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Governmental Order which is in effect and has the effect of making the transactions contemplated by (i) the VAST Membership Interest Purchase Agreement, (ii) the SPA Membership Interest Purchase Agreement, or (iii) the VAST Korea Purchase Agreement illegal, otherwise restraining or prohibiting consummation of such transactions or causing any of the transactions contemplated hereunder or thereunder to be rescinded following completion thereof.

(ii) Each of the STRATTEC Board and the WITTE Board shall have authorized the execution, delivery and performance of this Equity Restructuring Agreement and the consummation of the transactions contemplated by the VAST Membership Interest Purchase Agreement and the SPA Membership Interest Purchase Agreement and each Party shall have received a certificate of an

authorized representative of the other Party certifying that the respective board of the other Party (i.e. STRATTEC Board or WITTE Board, as applicable) has duly authorized the execution, delivery and performance of this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement, and the SPA Membership Interest Purchase Agreement.

(iii) The transactions contemplated by the ADAC Purchase Agreement shall have been consummated.

(iv) STRATTEC (or its designated Affiliate) and VAST shall have entered into an agreement regarding the acquisition of the assets and rights represented by VAST's Korean branch office ("**VAST Korea**") substantially in the form of the draft attached hereto as **Exhibit C** (the "**VAST Korea Purchase Agreement**"), provided that the consideration for the sale and purchase of the assets and rights represented by VAST Korea shall in any case be equal to \$663,000 (the "**VAST Korea Purchase Price**").

(v) WITTE and VAST shall have entered into an agreement regarding the sale and assignment of the purchase price claim of VAST against STRATTEC under the VAST Korea Purchase Agreement substantially in the form of the draft attached hereto as **Exhibit D** (the "**Receivable Purchase Agreement**").

(vi) STRATTEC and WITTE shall have entered into mutually binding agreements regarding their continued cooperation as set forth in **Section 7.01(f)**.

(b) **Conditions to Obligations of STRATTEC.** The obligations of STRATTEC to consummate the transactions contemplated by (i) this Equity Restructuring Agreement, (ii) the VAST Membership Interest Purchase Agreement, (iii) the SPA Membership Interest Purchase Agreement, and (iv) the VAST Korea Purchase Agreement shall be subject to the fulfillment, at or prior to the Closing but not later than June 30, 2023, of each of the following conditions:

(i) The representations and warranties of WITTE and VAST contained in this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement, the SPA Membership Interest Purchase Agreement, the VAST Korea Purchase Agreement and any certificate or other writing delivered pursuant thereto shall have been true and correct on the date hereof and shall be true and correct in all respects on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date).

(ii) WITTE and VAST shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement, the VAST Korea Purchase Agreement and each of the VAST Ancillary Agreements, the SPA Membership Interest Purchase Agreement and each of the

SPA Ancillary Agreements to be performed or complied with by it prior to or on the Closing Date.

(iii) The VAST Ancillary Documents and the VAST Korea Ancillary Documents shall have been executed and delivered by the parties thereto and true and complete copies thereof shall have been delivered to STRATTEC.

(iv) WITTE shall have duly executed and delivered the SPA Assignment to STRATTEC.

(v) The other SPA Ancillary Documents shall have been executed and delivered by the parties thereto and true and complete copies thereof shall have been delivered to STRATTEC.

(vi) WITTE shall have delivered to STRATTEC cash in an amount equal to the Closing Date Payment (minus any applicable deductions) by wire transfer in immediately available funds, to the account(s) designated in writing by STRATTEC prior to the Closing Date.

(vii) All required approvals, consents and waivers of the managers and members of SPA shall have been received, and executed counterparts thereof shall have been delivered to the Parties at or prior to the Closing.

(viii) WITTE shall have delivered to STRATTEC written payoff or lien termination letters from all Persons holding Liens that encumber the Sold SPA Membership Interests specifying the conditions upon which such Person will release or terminate any such Liens (other than Permitted Liens).

(ix) WITTE shall have delivered to STRATTEC such other documents or instruments as STRATTEC reasonably requests and are reasonably necessary to consummate the transactions contemplated by the VAST Membership Interest Purchase Agreement, the SPA Membership Interest Purchase Agreement and the VAST Korea Purchase Agreement.

(c) Conditions to Obligations of WITTE. The obligations of WITTE to consummate the transactions contemplated by (i) this Equity Restructuring Agreement, (ii) the VAST Membership Interest Purchase Agreement, (iii) the SPA Membership Interest Agreement, and (iv) the VAST Korea Purchase Agreement, shall be subject to the fulfillment, at or prior to the Closing but not later than June 30, 2023, of each of the following conditions:

(i) All required approvals, consents and waivers of the managers and members of VAST shall have been received, and executed counterparts thereof shall have been delivered to the Parties at or prior to the Closing.

(ii) The business of VAST shall have been operated in the ordinary course through the Closing Date.

(iii) The representations and warranties of STRATTEC contained in this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement, the SPA Membership Interest Purchase Agreement and any certificate or other writing delivered pursuant thereto shall have been true and correct on the date hereof and shall be true and correct in all respects on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date).

(iv) STRATTEC shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement and each of the VAST Ancillary Agreements, the SPA Membership Interest Purchase Agreement and each of the SPA Ancillary Agreements, and the VAST Korea Purchase Agreement and the VAST Korea Ancillary Agreements to be performed or complied with by it prior to or on the Closing Date.

(v) From the date of this Equity Restructuring Agreement, there shall not have occurred any Material Adverse Effect with respect to VAST, nor shall any event or events have occurred that, individually or in the aggregate, with or without the lapse of time, could reasonably be expected to result in a Material Adverse Effect with respect to VAST.

(vi) STRATTEC shall have duly executed and delivered the VAST Assignment to WITTE.

(vii) The other VAST Ancillary Documents and VAST Korea Ancillary Agreements shall have been executed and delivered by the parties thereto and true and complete copies thereof shall have been delivered to WITTE.

(viii) WITTE shall have received resignation letters executed by each STRATTEC's Board Member of VAST's or the VAST Parties' management boards.

(ix) STRATTEC shall have delivered to WITTE such other documents or instruments as WITTE reasonably requests and are reasonably necessary to consummate the transactions contemplated by the VAST Membership Interest Purchase Agreement, the SPA Membership Interest Purchase Agreement and the VAST Korea Purchase Agreement.

(x) STRATTEC shall have delivered to WITTE written payoff or lien termination letters from all Persons holding Liens that encumber the Sold VAST Membership Interests specifying the conditions upon which such Person will release or terminate any such Liens (other than Permitted Liens).

(xi) All required approvals, consents and waivers of the managers and members of SPA shall have been received, and executed counterparts thereof shall have been delivered to the Parties at or prior to the Closing.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES RELATED TO THE PARTIES

Section 5.01 Representations and Warranties of STRATTEC.

STRATTEC represents and warrants to WITTE that the statements contained in this Section 5.01 are true and correct on the date hereof and will be true and correct as of the Closing Date.

(a) Organization and Authority of STRATTEC.

STRATTEC is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization. STRATTEC has full corporate power and authority to enter into this Equity Restructuring Agreement, Exhibit A, Exhibit B and Exhibit C hereto and the Ancillary Agreements to which STRATTEC is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by STRATTEC of this Equity Restructuring Agreement, Exhibit A, Exhibit B and Exhibit C hereto and any Ancillary Agreement to which STRATTEC is a party, the performance by STRATTEC of its obligations hereunder and thereunder, and the consummation by STRATTEC of the transactions contemplated hereby and thereby have been duly authorized by all requisite action on the part of STRATTEC. This Equity Restructuring Agreement has been duly executed and delivered by STRATTEC, and (assuming due authorization, execution, and delivery by WITTE and VAST, as applicable) the Equity Restructuring Agreement and Exhibit A and Exhibit B hereto constitute, and Exhibit C will as of the Closing Date constitute, legal, valid and binding obligations of STRATTEC enforceable against STRATTEC in accordance with their terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, arrangement, moratorium or other similar Laws relating to or affecting the rights of creditors generally, or by general equitable principles (collectively, the “**Enforceability Exceptions**”). When each Ancillary Agreement to which STRATTEC is or will be a party has been duly executed and delivered by STRATTEC (assuming due authorization, execution, and delivery by each other party thereto), such Ancillary Agreement will constitute a legal and binding obligation of STRATTEC enforceable against it in accordance with its terms, subject to the Enforceability Exceptions.

(b) Bankruptcy.

No petition or notice has been presented, no order has been made and no resolution has been passed for the bankruptcy, liquidation, reorganization, winding-up or dissolution of STRATTEC. No receiver, trustee, custodian or similar fiduciary has been appointed over the whole or any part of STRATTEC, or the income of STRATTEC, and STRATTEC has no plan or intention of, and to STRATTEC’s Knowledge no other Person has any intention of, filing, making

or obtaining any such petition, notice, order or resolution or of seeking the appointment of a receiver, trustee, custodian or similar fiduciary.

(c) Brokers.

STRATTEC does not have any liability or obligation to any broker, finder or investment banker to pay any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Equity Restructuring Agreement, Exhibit A, Exhibit B and Exhibit C hereto or any Ancillary Agreement.

(d) Legal Proceedings; Governmental Orders.

There is no Action pending, settled, or to STRATTEC's Knowledge, threatened that challenges the legality, validity or enforceability of this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement, the SPA Membership Interest Purchase Agreement or the VAST Korea Purchase Agreement.

(e) No Other Representations and Warranties.

Except for the representations and warranties contained in this **Section 5.01, ARTICLE 2** of the VAST Membership Interest Purchase Agreement and **ARTICLE 3** of the SPA Membership Purchase Agreement neither STRATTEC nor any other Person has made or makes any other express or implied representation or warranty, either written or oral, on behalf of STRATTEC, including any representation or warranty as to the accuracy or completeness of any information regarding STRATTEC or the VAST Parties furnished or made available by or at the direction of STRATTEC to WITTE or the SPA Parties and their Representatives (as applicable), or any other representation or warranty of any kind, express or implied, arising under any Law.

Section 5.02 Representations and Warranties of WITTE.

WITTE represents and warrants to STRATTEC that the statements contained in this **Section 5.02** are true and correct on the date hereof and will be true and correct as of the Closing Date.

(a) Organization and Authority of WITTE.

WITTE is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization. WITTE has full corporate power and authority to enter into this Equity Restructuring Agreement, Exhibit A and Exhibit B hereto and the Ancillary Agreements to which WITTE is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by WITTE of this Equity Restructuring Agreement, Exhibit A and Exhibit B hereto and any Ancillary Agreement to which WITTE is a party, the performance by WITTE of

its obligations hereunder and thereunder, and the consummation by WITTE of the transactions contemplated hereby and thereby have been duly authorized by all requisite action on the part of WITTE. This Equity Restructuring Agreement has been duly executed and delivered by WITTE, and (assuming due authorization, execution, and delivery by STRATTEC) the Equity Restructuring Agreement and Exhibit A and Exhibit B hereto constitute legal, valid and binding obligations of WITTE enforceable against WITTE in accordance with their terms, subject to the Enforceability Exceptions. When each Ancillary Agreement to which WITTE is or will be a party has been duly executed and delivered by WITTE (assuming due authorization, execution, and delivery by each other party thereto), such Ancillary Agreement will constitute a legal and binding obligation of WITTE enforceable against it in accordance with its terms, subject to the Enforceability Exceptions.

(b) Bankruptcy.

No petition or notice has been presented, no order has been made and no resolution has been passed for the bankruptcy, liquidation, reorganization, winding-up or dissolution of WITTE. No receiver, trustee, custodian or similar fiduciary has been appointed over the whole or any part of WITTE, or the income of WITTE, and WITTE has no plan or intention of, and to WITTE's Knowledge no other Person has any intention of, filing, making or obtaining any such petition, notice, order or resolution or of seeking the appointment of a receiver, trustee, custodian or similar fiduciary.

(c) Brokers.

WITTE does not have any liability or obligation to any broker, finder or investment banker to pay any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Equity Restructuring Agreement, Exhibit A and Exhibit B hereto or any Ancillary Agreement.

(d) Legal Proceedings; Governmental Orders.

There is no Action pending, settled, or to WITTE's Knowledge, threatened that challenges the legality, validity or enforceability of this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement or the SPA Membership Interest Purchase Agreement.

(e) No Other Representations and Warranties.

Except for the representations and warranties contained in this **Section 5.02, ARTICLE 3** of the VAST Membership Interest Purchase Agreement and **ARTICLE 2** of the SPA Membership Purchase Agreement neither WITTE nor any other Person has made or makes any other express or implied representation or warranty, either written or oral, on behalf of WITTE, including any representation or warranty as to the accuracy or completeness of any information regarding WITTE or the SPA Parties furnished or made available by or at the direction of WITTE to STRATTEC or the VAST Parties (as applicable) and their

Representatives, or any other representation or warranty of any kind, express or implied, arising under any Law.

ARTICLE 6 **INDEMNIFICATION**

Section 6.01 Survival.

Subject to the limitations and other provisions of this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement or the SPA Membership Interest Purchase Agreement, as applicable, and other than in the event of a Party's Fraud or willful or intentional misconduct, (a) the Fundamental Representations shall survive the Closing and shall remain in full force and effect for five (5) years from the Closing Date, and (b) all other representations and warranties provided in this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement or the SPA Membership Interest Purchase Agreement, as applicable, shall survive the Closing and remain in full force and effect until the date that is eighteen (18) months from the Closing Date. All covenants and agreements of the parties contained in this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement or the SPA Membership Interest Purchase Agreement, as applicable, that require performance after Closing shall survive the Closing until fully performed. Notwithstanding the foregoing, each representation, warranty or covenant that would otherwise terminate in accordance with this **Section 6.01** shall continue to survive if a written notice of claim in respect thereof shall have been timely given in accordance with **Section 6.05** on or prior to such time until the related claim shall have been fully satisfied or otherwise resolved as provided herein.

Section 6.02 Indemnification By STRATTEC.

Subject to the other terms and conditions of this **ARTICLE 6**, STRATTEC shall indemnify and defend each of WITTE and its Affiliates (including, post-Closing, the VAST Parties) and their respective Representatives (collectively, the "**WITTE Indemnitees**") against, and shall hold each of them (as applicable) harmless from and against, and shall pay and reimburse each of them (as applicable) for, any and all Losses incurred or sustained by, or imposed upon, the WITTE Indemnitees based upon, arising out of, with respect to or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of STRATTEC contained in this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement, the SPA Membership Interest Purchase Agreement or in any certificate or instrument delivered by or on behalf of STRATTEC pursuant to this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement or the SPA Membership Interest Purchase Agreement, as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date (except for representations and warranties that expressly relate to a specified date, the inaccuracy in or breach of which will be determined with reference to such specified date);

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by STRATTEC pursuant to this Equity Restructuring Agreement, the VAST

Membership Interest Purchase Agreement or the SPA Membership Interest Purchase Agreement; or

(c) any of the operations or activities of (i) SPA or its subsidiaries on or after the Closing Date or (ii) the Korean branch office established by STRATTEC to acquire the VAST Korea Business (as defined in the VAST Korea Purchase Agreement) on or after the Closing Date.

Section 6.03 Indemnification By WITTE.

Subject to the other terms and conditions of this **ARTICLE 6**, WITTE shall indemnify and defend STRATTEC and its Affiliates (including, post-Closing, SPA) and their respective Representatives (collectively, the “**STRATTEC Indemnitees**”) against, and shall hold each of them (as applicable) harmless from and against, and shall pay and reimburse each of them (as applicable) for, any and all Losses incurred or sustained by, or imposed upon, STRATTEC Indemnitees based upon, arising out of, with respect to or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of WITTE contained in this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement, the SPA Membership Interest Purchase Agreement or in any certificate or instrument delivered by or on behalf of WITTE pursuant to this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement or the SPA Membership Interest Purchase Agreement as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date (except for representations and warranties that expressly relate to a specified date, the inaccuracy in or breach of which will be determined with reference to such specified date);

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by WITTE pursuant to this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement or the SPA Membership Interest Purchase Agreement; or

(c) any of the operations or activities of VAST or its subsidiaries on or after the Closing Date.

Section 6.04 Certain Limitations.

(a) Equity Restructuring Agreement.

With respect to (i) any inaccuracy in or breach of any the representations and warranties of STRATTEC and WITTE contained in this Equity Restructuring Agreement or in any certificate or instrument to be delivered by or on behalf of STRATTEC and WITTE pursuant to this Equity Restructuring Agreement, and (ii) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by STRATTEC or WITTE pursuant to this Equity Restructuring Agreement, the indemnification provided for in **Section 6.02** and **Section 6.03** shall be subject to the following limitations:

(i) STRATTEC shall not be required to indemnify WITTE Indemnitees for any Losses pursuant to **Section 6.02(a)** and **Section 6.02(b)** until the aggregate amount of all such Losses exceeds \$50,000 (the “**STRATTEC Indemnification Basket**”), taking into account and aggregating the Losses incurred by the WITTE Indemnitees under **Section 6.04(b)(i)** for purposes of determining whether the STRATTEC Indemnification Basket has been reached, it being understood that if the STRATTEC Indemnification Basket is exceeded, WITTE shall be entitled to claim the full amount (including the STRATTEC Indemnification Basket) (*tipping basket*).

(ii) WITTE shall not be required to indemnify STRATTEC Indemnitees for any Losses pursuant to **Section 6.03(a)** or **Section 6.03(b)** until the aggregate amount of all such Losses exceeds \$50,000 (the “**WITTE Indemnification Basket**”), taking into account and aggregating the Losses incurred by the STRATTEC Indemnitees under **Section 6.04(c)(i)** for purposes of determining whether the WITTE Indemnification Basket has been reached it being understood that if the WITTE Indemnification Basket is exceeded, STRATTEC shall be entitled to claim the full amount (including the WITTE Indemnification Basket) (*tipping basket*).

(iii) Except with respect to payment of the required purchase price hereunder or under the SPA Membership Interest Purchase Agreement or the VAST Korea Purchase Agreement, as applicable, the aggregate amount of all Losses for which STRATTEC shall be liable pursuant to **Section 6.02(a)** and **Section 6.02(b)** shall not exceed the VAST Purchase Price (the “**STRATTEC Indemnification Cap**”).

(iv) Except with respect to payment of the required purchase price hereunder or under the VAST Membership Interest Purchase Agreement, as applicable, the aggregate amount of all Losses for which WITTE shall be liable pursuant to **Section 6.03(a)** and **Section 6.03(b)** shall not exceed the SPA Purchase Price (the “**WITTE Indemnification Cap**”).

(b) VAST Membership Interest Purchase Agreement.

With respect to (i) any inaccuracy in or breach of any the representations and warranties of STRATTEC and WITTE contained in the VAST Membership Interest Purchase Agreement or in any certificate or instrument to be delivered by or on behalf of STRATTEC and WITTE pursuant to the VAST Membership Interest Purchase Agreement, and (ii) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by STRATTEC or WITTE pursuant to the VAST Membership Interest Purchase Agreement, the indemnification provided for in **Section 6.02** and **Section 6.03** shall be subject to the following limitations:

(i) STRATTEC shall not be required to indemnify WITTE Indemnitees for any Losses pursuant to **Section 6.02(a)** or **Section 6.02(b)** until the aggregate

amount of all such Losses exceeds \$50,000 (the “**VAST Indemnification Basket**”), taking into account and aggregating the Losses incurred by the WITTE Indemnitees under **Section 6.04(a)(i)** for purposes of determining whether the VAST Indemnification Basket has been reached, it being understood that if the VAST Indemnification Basket is exceeded, WITTE shall be entitled to claim the full amount (including the VAST Indemnification Basket) (*tipping basket*).

(ii) The aggregate amount of all Losses for which STRATTEC shall be liable pursuant to **Section 6.02(a)** and **Section 6.02(b)** shall not exceed the VAST Purchase Price (the “**VAST Indemnification Cap**”); provided, however, in no event shall STRATTEC be liable in the aggregate under this **Section 6.04(b)(ii)**, **Section 6.04(a)(iii)** and **Section 6.04(c)(iii)** in excess of the VAST Purchase Price.

(iii) Except with respect to payment of the required purchase price under VAST Membership Interest Purchase Agreement, the aggregate amount of all Losses for which WITTE shall be liable pursuant to **Section 6.03(a)** and **Section 6.03(b)** shall not exceed the SPA Purchase Price; provided, however, in no event shall WITTE be liable in the aggregate under this **Section 6.04(b)(iii)**, **Section 6.04(a)(iv)** and **Section 6.04(c)(ii)** in excess of the SPA Purchase Price.

(c) SPA Membership Interest Purchase Agreement.

With respect to (i) any inaccuracy in or breach of any the representations and warranties of STRATTEC and WITTE contained in the SPA Membership Interest Purchase Agreement or in any certificate or instrument to be delivered by or on behalf of STRATTEC and WITTE pursuant to the SPA Membership Interest Purchase Agreement, and (ii) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by STRATTEC or WITTE pursuant to the SPA Membership Interest Purchase Agreement, the indemnification provided for in **Section 6.02** and **Section 6.03** shall be subject to the following limitations:

(i) WITTE shall not be required to indemnify STRATTEC Indemnitees for any Losses pursuant to **Section 6.03(a)** or **Section 6.03(b)** until the aggregate amount of all such Losses exceeds \$50,000 (the “**SPA Indemnification Basket**”), taking into account and aggregating the Losses incurred by the STRATTEC Indemnitees under **Section 6.04(a)(ii)** for purposes of determining whether the SPA Indemnification Basket has been reached, it being understood that if the SPA Indemnification Basket is exceeded, STRATTEC shall be entitled to claim the full amount (including the SPA Indemnification Basket) (*tipping basket*).

(ii) Except with respect to payment of the required purchase price hereunder or under SPA Membership Interest Purchase Agreement, the aggregate amount of all Losses for which WITTE shall be liable pursuant to **Section 6.03(a)** and **Section 6.03(b)** shall not exceed the SPA Purchase Price (the “**SPA Indemnification Cap**”); provided, however, in no event shall WITTE be liable in the aggregate under this **Section 6.04(c)(ii)**, **Section 6.04(a)(iv)** and **Section 6.04(b)(iii)** in excess of the SPA Purchase Price.

(iii) The aggregate amount of all Losses for which STRATTEC shall be liable pursuant to **Section 6.02(a)** and **Section 6.02(b)** shall not exceed the VAST Purchase Price; provided, however, in no event shall STRATTEC be liable in the aggregate under this **Section 6.04(c)(iii)**, **Section 6.04(a)(iii)** and **Section 6.04(b)(ii)** in excess of the VAST Purchase Price.

(d) Notwithstanding the foregoing and subject to **Section 6.07**, the limitations set forth in **Section 6.04(a)**, **Section 6.04(b)(i)**, **Section 6.04(b)(iii)**, **Section 6.04(c)(i)**, and **Section 6.04(c)(iii)** shall not apply to Losses based upon, arising out of, with respect to or by reason of: (i) any inaccuracy in or breach of any Fundamental Representation provided for in the VAST Membership Interest Purchase Agreement or the SPA Membership Interest Purchase Agreement; (ii) STRATTEC's indemnification obligations under **ARTICLE 4** of the VAST Membership Interest Purchase Agreement; (iii) WITTE's indemnification obligations under **ARTICLE 4** of the SPA Membership Purchase Agreement; (iv) any breach or nonfulfillment of any post-Closing covenant; or (vi) any Fraud committed by the applicable Party.

(e) Nothing set forth under this **ARTICLE 6** shall be construed to contractually eliminate any duty that any Indemnified Party may have under common law to mitigate such party's Losses.

(f) Neither WITTE nor STRATTEC shall have liability for Losses to the extent that any insurance proceeds have actually been received to reimburse an Indemnified Party for such Loss. STRATTEC and WITTE shall fully cooperate and use commercially reasonable efforts to file and pursue claims for any reasonably available insurance coverage amount for the reimbursement of any Losses sustained by either Party.

Section 6.05 Indemnification Procedures.

The Party making a claim under this **ARTICLE 6** is referred to as the "**Indemnified Party,**" and the Party against whom such claims are asserted under this **ARTICLE 6** is referred to as the "**Indemnifying Party**".

(a) Third Party Claims. If any Indemnified Party receives notice of the assertion or commencement of any Action made or brought by any Person who is not a party to this Equity Restructuring Agreement or an Affiliate of a Party to this Equity Restructuring Agreement or a Representative of the foregoing (a "**Third Party Claim**") against such Indemnified Party with respect to which the Indemnifying Party is obligated to provide indemnification under this Equity Restructuring Agreement, the Indemnified Party shall give the Indemnifying Party reasonably prompt written notice thereof, but in any event not later than 30 days after receipt of such notice of such Third Party Claim. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except to the extent that an Indemnifying Party is actually and materially prejudiced thereby, and then only to the extent of the damages caused to the Indemnifying Party due to such prejudice. Such notice by the Indemnified Party shall describe the Third Party Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable,

of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have the right to participate in, or by giving written notice to the Indemnified Party, to assume the defense of any Third Party Claim at the Indemnifying Party's expense and by the Indemnifying Party's own counsel, and the Indemnified Party shall cooperate in good faith in such defense. In the event that the Indemnifying Party assumes the defense of any Third Party Claim, subject to **Section 6.05(b)**, it shall have the right to take such action as it deems reasonable to avoid, dispute, defend, appeal or make counterclaims pertaining to any such Third Party Claim in the name and on behalf of the Indemnified Party. The Indemnified Party shall have the right to participate in the defense of any Third Party Claim with counsel selected by it subject to the Indemnifying Party's right to control the defense thereof. The fees and disbursements of such counsel shall be at the expense of the Indemnified Party, *provided*, that if in the reasonable opinion of counsel to the Indemnified Party, (A) there are legal defenses available to an Indemnified Party that are different from or additional to those available to the Indemnifying Party; or (B) there exists a conflict of interest between the Indemnifying Party and the Indemnified Party that cannot be waived, the Indemnifying Party shall be liable for the reasonable fees and expenses of counsel to the Indemnified Party in each jurisdiction for which the Indemnified Party reasonably determines counsel is required. If the Indemnifying Party elects not to compromise or defend such Third Party Claim, fails to promptly notify the Indemnified Party in writing of its election to defend as provided in this Agreement, or fails to diligently prosecute the defense of such Third Party Claim, the Indemnified Party may, subject to **Section 6.05(b)**, pay, compromise, defend such Third Party Claim and seek indemnification (to the extent such Third Party Claim involves a matter covered by the applicable Indemnifying Party's indemnification obligations set forth herein, as applicable) for any and all Losses based upon, arising from or relating to such Third Party Claim. STRATTEC and WITTE shall cooperate with each other in all reasonable respects in connection with the defense of any Third Party Claim, including making available records relating to such Third Party Claim and furnishing, without expense (other than reimbursement of actual out-of-pocket expenses) to the defending party, management employees of the non-defending party as may be reasonably necessary for the preparation of the defense of such Third Party Claim.

(b) Settlement of Third Party Claims. Notwithstanding any other provision of this Equity Restructuring Agreement, the Indemnifying Party shall not enter into settlement of any Third Party Claim without the prior written consent of the Indemnified Party (which shall not be unreasonably withheld, conditioned or delayed), except as provided in this **Section 6.05(b)**. If a firm offer is made to settle a Third Party Claim (A) without an admission of wrongdoing, (B) without leading to liability or the creation of a financial or other obligation on the part of the Indemnified Party, and (C) provides, in customary form, for the full and unconditional release of each Indemnified Party from all liabilities and obligations in connection with such Third Party Claim and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party shall give written notice to that effect to the Indemnified Party. If the Indemnified Party fails to consent to such firm offer within 10 days after its receipt of such notice, the Indemnified Party may continue to contest or defend such Third Party Claim and, in such event, the maximum liability of the Indemnifying Party as to such Third Party Claim shall not exceed the amount of such settlement offer. If the Indemnified Party fails to consent to such firm offer and fails to

assume defense of such Third Party Claim, the Indemnifying Party may settle the Third Party Claim upon the terms set forth in such firm offer to settle such Third Party Claim. If the Indemnified Party has assumed the defense, it shall not agree to any settlement without the written consent of the Indemnifying Party (which consent shall not be unreasonably withheld, conditioned or delayed).

(c) **Direct Claims.** Any Action by an Indemnified Party on account of a Loss which does not result from a Third Party Claim (a “**Direct Claim**”) shall be asserted by the Indemnified Party giving the Indemnifying Party reasonably prompt written notice thereof, but in any event not later than 60 days after the Indemnified Party becomes aware of such Direct Claim. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except to the extent that an Indemnifying Party is actually and materially prejudiced thereby, and then only to the extent of the damages caused to the Indemnifying Party due to such prejudice. Such notice by the Indemnified Party shall describe the Direct Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have 30 days after its receipt of such notice to respond in writing to such Direct Claim. The Indemnified Party shall allow the Indemnifying Party and its professional advisors to investigate the matter or circumstance alleged to give rise to the Direct Claim, and whether and to what extent any amount is payable in respect of the Direct Claim and the Indemnified Party shall reasonably assist the Indemnifying Party’s investigation by giving such information and assistance (including access to VAST’s and SPA’s premises and personnel and the right to examine and copy any accounts, documents or records) as the Indemnifying Party or any of its professional advisors may reasonably request. If the Indemnifying Party does not so respond within such 30-day period, the Indemnifying Party shall be deemed to have rejected such claim, in which case the Indemnified Party shall be free to pursue such remedies as may be available to the Indemnified Party on the terms and subject to the provisions of this Equity Restructuring Agreement.

Section 6.06 Materiality Scrape.

For purposes of the indemnification obligations under this **ARTICLE 6**, including for purposes of both determining whether there has been an inaccuracy, misrepresentation or breach and for determining the amount of Losses resulting therefrom, the representations and warranties set forth in **ARTICLE 5** of this Equity Restructuring Agreement that are qualified as to “material,” “materiality,” “material respects,” or words of similar import or effect shall be deemed to have been made without any such qualification. For the avoidance of doubt, nothing in this **Section 6.06** shall be deemed or interpreted in any way to alter any representation and warranty for purposes of determining the existence of a Party’s Fraud or willful or intentional misconduct.

Section 6.07 Right to Set-off.

Notwithstanding anything in this Equity Restructuring Agreement to the contrary, the Parties shall have the right to set-off, from any payment owed to another Party hereunder, any Losses incurred by such Party or its Affiliates as a result of a breach of this Equity Restructuring

Agreement by another Party and any Losses for which that other Party has an indemnification obligation under **Section 6.02** or **Section 6.03** to the extent such Losses are agreed upon in writing by the respective Parties or have been finally determined by a non-appealable judgment of a court of competent jurisdiction or by a final order of an arbitrator in a binding arbitration proceeding.

Section 6.08 Exclusive Remedies.

The Parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims (other than claims arising from a Party's Fraud or willful or intentional misconduct on the part of a Party in connection with the transactions contemplated by this Equity Restructuring Agreement) for any breach of any representation, warranty, covenant, agreement or obligation set forth in this Equity Restructuring Agreement, shall be pursuant to the indemnification provisions set forth in this **ARTICLE 6**, and each Party hereby waives any and all rights, claims and causes of action for any breach of any representation, warranty, covenant, agreement or obligation set forth in this Equity Restructuring Agreement, except pursuant to the indemnification provisions set forth in indemnification provisions set forth in this **ARTICLE 6**. Nothing in this Equity Restructuring Agreement shall limit any Person's right to seek and obtain any equitable relief to which any Person shall be entitled or to seek any remedy on account of any Party's Fraud or willful or intentional misconduct.

ARTICLE 7 COVENANTS

Section 7.01 Pre-Closing/Post-Closing Covenants.

(a) STRATTEC and WITTE shall undertake to give all required approvals and make all required resolutions to allow VAST to complete the distribution and assignment of VAST Brasil to ADAC prior to the Closing. With regard to the necessary steps to be taken by ADAC in order to bring VAST do Brasil Limitada ("**VDB**") into compliance with Brazilian law after VDB has failed to timely file entity and tax reports with the appropriate governmental authorities in Brazil and effect the dissolution of Vehicle Systems Brazil Holdings LLC ("**VSBH**"), Vehicle Systems SA Holdings LLC ("**VSSA Holdings**") and Vesper Comercio e Servicos Ltda. ("**Vesper**") after VSBH, VSSA Holdings and Vesper have been and continue to be inactive (collectively, the "**Compliance Actions**"), STRATTEC hereby promises to the benefit of ADAC (i) to pay upon demand by ADAC one third (1/3) of all fees and expenses associated with or relating to the Compliance Actions, and (ii) to indemnify and hold ADAC harmless from and against one third (1/3) of any and all losses, costs and expenses (including reasonable attorneys' fees) arising out of (x) any obligations of VAST with respect to VAST Brasil or VAST's interests in VAST Brasil relating to the period on or before, or arising out of or relating to events occurring on or before, the date on which the distribution and assignment of VAST Brasil to ADAC becomes effective, and (y) any liability or obligation of any of the entities constituting VAST Brasil relating to the period on or before, or arising out of or relating to events occurring on or before the date on which the distribution and assignment of VAST Brasil to ADAC becomes effective.

(b) STRATTEC undertakes to grant its consent to the sale and transfer of ADAC's membership interests in VAST to WITTE pursuant to the ADAC Purchase Agreement and to waive its alleged rights of refusal and 'come along' right, each as set forth in the VAST Operating Agreement, and deliver executed counterparts thereof to WITTE no later than two (2) Business Days prior to the Closing.

(c) Each of STRATTEC and WITTE shall undertake to give all required approvals and make all required resolutions at or prior to Closing to allow VAST to enter into the Receivable Purchase Agreement on the Closing Date.

(d) STRATTEC shall undertake to enter into the VAST Korea Purchase Agreement and to consummate the transactions contemplated therein on the Closing Date and immediately after consummation of the ADAC Purchase Agreement. WITTE and STRATTEC shall undertake to use their influence as member of VAST to cause VAST to enter into such agreement and to consummate the transactions contemplated therein on the Closing Date and immediately after consummation of the ADAC Purchase Agreement. In case VAST has any indemnification obligations under the VAST Korea Purchase Agreement to STRATTEC or Buyer Indemnitees (as defined in the VAST Korea Purchase Agreement) that arise from (x) any inaccuracy in or breach of any of the representations and warranties of VAST contained in the VAST Korea Purchase Agreement or in any certificate or instrument to be delivered by or on behalf of VAST pursuant to the VAST Korea Purchase Agreement or (y) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by VAST prior to the Closing pursuant to the VAST Korea Purchase Agreement, STRATTEC shall indemnify and hold harmless VAST from any Losses incurred out of or in connection with such indemnification liability in an amount equal to applicable amount of Losses multiplied by STRATTEC's Membership Share.

(e) STRATTEC and WITTE will provide each other such commercially reasonable support and will use its reasonable best efforts to obtain the consent of Minda-VAST to the extent required under the Minda-VAST joint venture with regards to the acquisition of VAST (and indirectly all of VAST's interest in the) Minda-VAST shares by WITTE.

(f) On or before the Closing, STRATTEC and WITTE will enter into a mutually binding agreement in the form of **Exhibit E** (the "**Cooperation Framework Agreement**") which will set forth the terms and conditions of, among other items, the following:

(i) the terms and conditions of their continued cooperation and the transition of the servicing of global customer product programs, including with respect to customer and employee non-solicitation obligations, confidentiality obligations, intellectual property ownership matters and continued supply arrangements related to production of products by the applicable Party or its Affiliate (including VAST or the VAST Parties) for the benefit of the other Party and its Affiliates, including, without limitation, (x) in VAST China, (y) for WITTE's North American business and (z) for STRATTEC's European business, all for a three (3) year period and

through the end of the applicable product program contracted during such three (3) year period; and

(ii) STRATTEC's continued support to VAST and to WITTE for the General Motors Company and Ford Motor Company product portfolios and programs for locksets, electronic steering column locks (ESCLs), latches and power product programs included in the VAST China 2022 5-Year Plan and under the Joint Development program for the Power Strut Liftgate, to the extent mutually agreed by STRATTEC, VAST and WITTE. STRATTEC and WITTE will each, in their respective area of responsibility according to past practice and for future business according to the VAST China 2022 5-Year Plan, continuously support the customer engineering & customer purchasing platforms of each other Party covered by such 5-Year Plan and try to convince together with their Affiliates (including with respect to WITTE, VAST and VAST China) and support the acquisition of the projects included in or related to the VAST China 2022 5-Year Plan. Current VAST Engineering, Development and Testing (ED&T) rules, including with respect to charges, will apply in connection with the provision of the foregoing support and engineering services during the time covered by such 5 year plan.

(g) STRATTEC and WITTE shall use commercially reasonable efforts and work in good faith to fully negotiate to the extent permissible, a mutually agreeable communication plan covering their shareholders, investors, customers, vendors, employees and internally among all the current VAST partners.

(h) WITTE will use its best reasonable efforts to transition the financial reporting/oversight for VAST from STRATTEC to WITTE promptly within one month following the Closing Date, and STRATTEC shall use its reasonable best efforts to cooperate and assist WITTE with such transition, which time period may be extended for up to three months upon mutual agreement of STRATTEC and WITTE.

(i) Following the Closing Date, without the prior written consent of VAST, STRATTEC shall have no right, title or interest in, and no right to use, license or exploit in any way, the name, brand, trademark or other intellectual property of VAST or any VAST Party; provided, however, that during the term of the Cooperation Framework Agreement, STRATTEC may refer, when engaging or interacting with its customers, vendors and employees, to VAST as a business partner of STRATTEC pursuant to which it has contractually secured the ability and right to have manufactured, produced and sold VAST products to its OEM customers (and to Tier 1 suppliers to such OEMs) under global product programs (specifically including China) when interacting and engaging with such customers, vendors and employees and with STRATTEC's shareholders and investors. Exclusively for the aforementioned purposes, STRATTEC shall be entitled to continue to use the VAST name on its signage, including on company presentations, letterhead, websites, correspondence, business cards and in similar media during the term of the Cooperation Framework Agreement so long as it expressly states that STRATTEC is not an interest holder or owner of VAST or of any VAST Party by adding the supplement "Cooperating Partner of VAST" in each case it uses the VAST name. STRATTEC shall use its reasonable best efforts to remove any reference to the VAST name on its signage

during a transition period of thirty six (36) months after the Closing Date (“**Transition Period**”). Without limiting the foregoing, during the Transition Period STRATTEC may use any VAST marketing materials it is in possession of at the Closing Date until such marketing materials are used up. Nothing of the above shall prevent WITTE from changing the name of VAST (whether globally or in a particular geographic region), provided that STRATTEC, in the event WITTE changes the name of VAST (whether globally or in a particular geographic region), may continue to refer to VAST and the newly changed name to use such names during the term of the Cooperation Framework Agreement in a manner consistent with the principles set forth in this **Section 7.01(i)**. STRATTEC undertakes to rebrand the Korean branch taken over under the VAST Korea Purchase Agreement by eliminating any reference to “VAST” as soon as possible after the Closing Date, but in any event no later than three (3) months after the Closing Date. WITTE shall, when communicating with STRATTEC’s customers General Motors or Ford directly during the term of the Cooperation Framework Agreement regarding the terms of this Agreement or the Cooperation Framework Agreement, obtain STRATTEC’s prior approval regarding the content of any such communication or disclosure to such customer regarding the terms of this Agreement or the Cooperation Framework Agreement, unless the information shared in such communication is already in the public domain or part of the communication already agreed upon between WITTE and STRATTEC at the time of the communication with such customer.

(j) Following the Closing Date, without the prior written consent of SPA, WITTE shall have no right, title or interest in, and no right to use, license or exploit in any way, the name, brand, trademark or other intellectual property of SPA or any SPA Party.

Section 7.02 Restrictive Covenants.

(a) Confidentiality. From and after the Closing, and except for disclosures permitted by **Section 7.03** below, STRATTEC shall, and shall cause its Affiliates (including following the Closing, the SPA Parties) to, hold, and shall use its reasonable best efforts to cause its or their respective Representatives to hold, in confidence, any and all information that would reasonably be considered confidential or proprietary, whether written, oral or any other form or medium, whether or not specifically labeled or identified as “confidential” concerning WITTE, VAST and their Affiliates and the terms of this Equity Restructuring Agreement, and the transactions contemplated hereby, except to the extent that such information (A) is or becomes generally available to and known by the public other than as a result of a breach of this Equity Restructuring Agreement by STRATTEC or its Affiliates; or (B) is lawfully acquired by STRATTEC, any of its Affiliates or their respective Representatives from and after the Closing from sources which are not prohibited or otherwise restricted from disclosing such information by a legal, contractual or fiduciary obligation. If STRATTEC or any of its Affiliates or their respective Representatives are compelled to disclose any information by judicial or administrative process or by other requirements of Law, STRATTEC shall, if legally permitted, promptly notify WITTE in writing so that WITTE may seek an appropriate protective order or waive compliance with the provisions of this **Section 7.02(a)**. In the absence of a protective order or the

receipt of a waiver hereunder, STRATTEC or its Affiliates shall disclose only that portion of such information which STRATTEC is advised by its counsel in writing is legally required to be disclosed, provided that STRATTEC shall use reasonable best efforts to obtain an order or other reasonable assurance (at WITTE's cost and expense) that confidential treatment will be accorded such information.

(b) From and after the Closing, WITTE shall, and shall cause its Affiliates (including following the Closing, the VAST Parties), to, hold, and shall use its reasonable best efforts to cause its or their respective Representatives to hold, in confidence, any and all information that would reasonably be considered confidential or proprietary, whether written, oral or any other form or medium, whether or not specifically labeled or identified as "confidential" concerning STRATTEC, SPA, and their Affiliates and the terms of this Equity Restructuring Agreement, and the transactions contemplated hereby, except to the extent that such information (A) is or becomes generally available to and known by the public other than as a result of a breach of this Equity Restructuring Agreement by WITTE or its Affiliates; or (B) is lawfully acquired by WITTE, any of its Affiliates or their respective Representatives from and after the Closing from sources which are not prohibited or otherwise restricted from disclosing such information by a legal, contractual or fiduciary obligation. If WITTE or any of its Affiliates or their respective Representatives are compelled to disclose any information by judicial or administrative process or by other requirements of Law, WITTE shall, if legally permitted, promptly notify STRATTEC in writing so that STRATTEC may seek an appropriate protective order or waive compliance with the provisions of this **Section 7.02(b)**. In the absence of a protective order or the receipt of a waiver hereunder, WITTE or its Affiliates shall disclose only that portion of such information which WITTE is advised by its counsel in writing is legally required to be disclosed, provided that WITTE shall use reasonable best efforts to obtain an order or other reasonable assurance (at STRATTEC's cost and expense) that confidential treatment will be accorded such information.

(c) Non-Disparagement. STRATTEC agrees that from and after the Closing Date, STRATTEC will not, and will cause each of its Affiliates not to, make, publish, or communicate any disparaging or defamatory comments regarding WITTE, the VAST Parties or their respective Affiliates (or their respective businesses, products or services), or their respective current or former direct or indirect equity holders or Representatives. WITTE agrees that, from and after the Closing Date, (i) WITTE will not, and will cause each of its Affiliates not to make, publish or communicate any disparaging or defamatory comments regarding STRATTEC, SPA or its Affiliates (or their respective businesses, products or services), or their respective current or former direct or indirect equity holders or Representatives.

(d) Acknowledgment. STRATTEC acknowledges that (i) WITTE and its Affiliates (including the VAST Parties) would be irreparably damaged if STRATTEC or any of its Affiliates were to breach any of the covenants set forth

in **Section 7.02(a)** or **Section 7.02(c)**, (ii) the covenants set forth in **Section 7.02(a)** and **Section 7.02(c)** are additional consideration of the agreements and covenants of WITTE, and WITTE would not have entered into this Equity Restructuring Agreement without such covenants and (iii) the restrictions contained in **Section 7.02(a)** and **Section 7.02(c)** are reasonable with respect to subject matter and time period.

WITTE acknowledges that (i) STRATTEC and its Affiliates would be irreparably damaged if WITTE or any of its Affiliates were to breach any of the covenants set forth in **Section 7.02(b)** and **Section 7.02(c)**, (ii) the covenants set forth in **Section 7.02(b)** and **Section 7.02(c)** are additional consideration of the agreements and covenants of STRATTEC, and STRATTEC would not have entered into this Equity Restructuring Agreement without such covenants and (iii) the restrictions contained in **Section 7.02(b)** and **Section 7.02(c)** are reasonable with respect to subject matter and time period.

(e) Enforcement. If, at the time of enforcement of any of the covenants set forth in **Section 7.02**, a court determines that the restrictions stated herein are unreasonable under the circumstances then existing, then the Parties agree that such court shall be allowed to revise the restrictions contained herein to cover the period, scope or geographical area permitted by Law.

Section 7.03 Public Announcements

Unless otherwise required by applicable Law, a stock exchange or securities commission and except the Parties may disclose the terms of this Equity Restructuring Agreement and the Ancillary Agreements to the extent necessary to obtain any required consents to enter into such agreements and perform the obligations of the Parties hereunder and thereunder, no Party shall make any public announcements in respect of this Equity Restructuring Agreement or the transactions contemplated hereby or otherwise communicate with any news media without the prior written consent of the other Parties (which consent shall not be unreasonably withheld, conditioned or delayed), and the Parties shall cooperate as to the timing and contents of any such announcement. Notwithstanding the foregoing and subject to such customary obligations of confidentiality as each affected Party may reasonably require, the other Parties and their Affiliates may provide customary information in respect of the transaction (a) to their financing sources, including its current and prospective investors and partners, and (b) in connection with fundraising activities or fund performance reporting to current or prospective investors, lenders or partners. Notwithstanding anything herein to the contrary, at any time following the third (3rd) anniversary of the Closing Date, each of STRATTEC and WITTE shall be permitted to publicly disclose that such Party has its own independent global operations and is no longer in a joint venture with the other Party; provided, however, that such disclosures shall not include any public announcement of any other terms and conditions of this Equity Restructuring Agreement, except as otherwise permitted by this **Section 7.03**.

Section 7.04 STRATTEC Release.

(a) STRATTEC, for itself and on behalf of its Affiliates, and any of their respective Representatives, members, equity holders, successors and permitted assigns (each, a “**STRATTEC Releasing Party**”), acknowledges and agrees that, from and after the Closing, to the fullest extent permitted under applicable Law, any and all rights, claims and causes of Action, it may ever had, now has or may have on or by reason of any matter, cause or fact whatsoever from the beginning of time through the Closing, against any of WITTE, the VAST Parties or any of their respective current or future Affiliates, or any of their respective former, current or future Representatives, members, equity holders, successors and permitted assigns (the “**STRATTEC Released Parties**”) relating to (a) the preparation, negotiation, execution or consummation of this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement, the VAST Ancillary Agreements, the VAST Korea Purchase Agreement and any other document prepared in connection with this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement, the VAST Ancillary Agreements, the VAST Korea Purchase Agreement or the transactions contemplated hereby and thereby, (b) claims in respect of a breach by any member of VAST’s board of managers (or equivalent governing body) or its individual managers, and officers of their obligations or duties (including fiduciary duties) (including in connection with the negotiation and execution of the VAST Membership Interest Purchase Agreement, the VAST Ancillary Agreements and the VAST Korea Purchase Agreement and the consummation of the transactions contemplated hereby), (c) except for trade payables resulting from the ordinary course of business and except for customary VAST engineering, development and tooling charges arising in the ordinary course of business and payable by a Party in connection therewith, the VAST or the VAST Parties’ business, the operation of VAST, the VAST Parties or their businesses at or prior to the Closing, or (d) STRATTEC’s status as a holder of Sold VAST Membership Interests prior to the Closing (collectively, “**STRATTEC Claims**”) are hereby irrevocably released, forever discharged and waived by and on behalf of the STRATTEC Releasing Parties (the “**STRATTEC Release**”); *provided*, notwithstanding anything to the contrary in this **Section 7.04**, that the STRATTEC Release shall not include, and nothing in this **Section 7.04** shall be construed to release, acquit, discharge or otherwise diminish, (i) any rights of any STRATTEC Releasing Party set forth in this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement, any VAST Ancillary Agreement, the VAST Korea Purchase Agreement or any VAST Korea Ancillary Agreement, and (ii) any rights of any STRATTEC Releasing Party to (x) any exculpation or indemnification, or any advancement or reimbursement of expenses in connection therewith, in such STRATTEC Releasing Party’s capacity as a current or former manager, director or officer of any STRATTEC Released Party pursuant to the Organizational Documents of any STRATTEC Released Party or (y) coverage under any director and officer policy, in each case, subject to the terms thereof.

(b) From and after the Closing Date, STRATTEC agrees not to, and agrees to cause each STRATTEC Releasing Party not to, assert any STRATTEC Claim with respect to the STRATTEC Release against the STRATTEC Released Parties, and with respect to such STRATTEC Claims, each STRATTEC Releasing Party hereby expressly waives any and all rights conferred upon such Person by any Law which provides that a release does

not extend to claims which the claimant does not know or suspect to exist in its favor at the time of executing the STRATTEC Seller Release, which if known by it must have materially affected its settlement with the STRATTEC Released Party. STRATTEC hereby represents and warrants that it has access to adequate information regarding the terms of the STRATTEC Release, the scope and effect of the releases set forth herein, and all other matters encompassed by the STRATTEC Release to make an informed and knowledgeable decision with regard to entering into the STRATTEC Release and has not relied on the STRATTEC Released Parties in deciding to enter into the STRATTEC Release and has instead made its own independent analysis and decision to enter into the STRATTEC Release.

(c) From and after the Closing Date, STRATTEC agrees not to, and agrees to cause each STRATTEC Releasing Party not to, make any claim for indemnification against the STRATTEC Released Parties by reason of the fact that STRATTEC or any Affiliate of STRATTEC is or was an equity holder, member or Representative of the VAST Parties or any of their Affiliates or is or was serving at the request of the STRATTEC Released Parties or any of their Affiliates as a Representative of another entity (whether such claim is for judgments, damages, penalties, fines, costs, amounts paid in settlement, losses, expenses or otherwise and whether such claim is pursuant to any Law, Organizational Document, Contract or otherwise) with respect to any Action brought by any of the WITTE Indemnitees against STRATTEC resulting from a breach or default in the performance by STRATTEC of any of its obligations under this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement, the VAST Ancillary Agreements and the VAST Korea Purchase Agreement, or applicable Law, and STRATTEC (on its own behalf and on behalf of its Affiliates) hereby acknowledges and agrees that it shall not have any claim or right to contribution or indemnity from the VAST Parties or any of their Affiliates with respect to any amounts paid by it pursuant to this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement, the VAST Ancillary Agreements and the VAST Korea Purchase Agreement.

(d) Each of the STRATTEC Released Parties is an express beneficiary of this **Section 7.04**.

Section 7.05 WITTE Release.

(a) WITTE, for itself and on behalf of its Affiliates, and any of their respective Representatives, members, equity holders, successors and permitted assigns (each, a “**WITTE Releasing Party**”), acknowledges and agrees that, from and after the Closing, to the fullest extent permitted under applicable Law, any and all rights, claims and causes of Action, it may ever had, now has or may have on or by reason of any matter, cause or fact whatsoever from the beginning of time through the Closing, against any of STRATTEC, the SPA Parties or any of their respective current or future Affiliates, or any of their respective former, current or future Representatives, members, equity holders, successors and permitted assigns (the “**WITTE Released Parties**”) relating to (a) the preparation, negotiation, execution or consummation of the SPA Membership Interest Purchase Agreement, the SPA Ancillary Agreements and any other document prepared in connection with the SPA Membership Interest Purchase Agreement, the SPA Ancillary Agreements

or the transactions contemplated hereby and thereby, (b) claims in respect of a breach by any member of SPA's board of managers (or equivalent governing body) or its individual managers, and officers of their obligations or duties (including fiduciary duties) (including in connection with the negotiation and execution of the SPA Membership Interest Purchase Agreement, the SPA Ancillary Agreements and the consummation of the transactions contemplated hereby), or (c) WITTE's status as a holder of Sold SPA Membership Interests prior to the Closing (collectively, "**WITTE Claims**") are hereby irrevocably released, forever discharged and waived by and on behalf of the WITTE Releasing Parties (the "**WITTE Release**"); *provided*, notwithstanding anything to the contrary in this **Section 7.05**, that the WITTE Release shall not include, and nothing in this **Section 7.05** shall be construed to release, acquit, discharge or otherwise diminish, (i) any rights of any WITTE Releasing Party set forth in this Equity Restructuring Agreement, the SPA Membership Interest Purchase Agreement or any SPA Ancillary Agreement, and (ii) any rights of any WITTE Releasing Party to (x) any exculpation or indemnification, or any advancement or reimbursement of expenses in connection therewith, in such WITTE Releasing Party's capacity as a current or former manager, director or officer of any WITTE Released Party pursuant to the Organizational Documents of any WITTE Released Party or (y) coverage under any director and officer policy, in each case, subject to the terms thereof.

(b) From and after the Closing Date, WITTE agrees not to, and agrees to cause each WITTE Releasing Party not to, assert any WITTE Claim with respect to the WITTE Release against the WITTE Released Parties, and with respect to such WITTE Claims, each WITTE Releasing Party hereby expressly waives any and all rights conferred upon such Person by any Law which provides that a release does not extend to claims which the claimant does not know or suspect to exist in its favor at the time of executing the WITTE Seller Release, which if known by it must have materially affected its settlement with the WITTE Released Party. WITTE hereby represents and warrants that it has access to adequate information regarding the terms of the WITTE Release, the scope and effect of the releases set forth herein, and all other matters encompassed by the WITTE Release to make an informed and knowledgeable decision with regard to entering into the WITTE Release and has not relied on the WITTE Released Parties in deciding to enter into the WITTE Release and has instead made its own independent analysis and decision to enter into the WITTE Release.

(c) From and after the Closing Date, WITTE agrees not to, and agrees to cause each WITTE Releasing Party not to, make any claim for indemnification against the WITTE Released Parties by reason of the fact that WITTE or any Affiliate of WITTE is or was an equity holder, member or Representative of SPA or any of its Affiliates or is or was serving at the request of SPA or any of its Affiliates as a Representative of another entity (whether such claim is for judgments, damages, penalties, fines, costs, amounts paid in settlement, losses, expenses or otherwise and whether such claim is pursuant to any Law, Organizational Document, Contract or otherwise) with respect to any Action brought by any of the STRATTEC Indemnitees against WITTE resulting from a breach or default in the performance by WITTE of any of its obligations under this Equity Restructuring Agreement, the SPA Membership Interest Purchase Agreement or any SPA Ancillary Agreement or applicable Law, and WITTE (on its own behalf and on behalf of its Affiliates) hereby acknowledges and agrees that it shall not have any claim or right to

contribution or indemnity from the SPA Parties or any of their Affiliates with respect to any amounts paid by it pursuant to this Equity Restructuring Agreement, the SPA Membership Interest Purchase Agreement or the SPA Ancillary Agreements.

(d) Each of the WITTE Released Parties is an express beneficiary of this **Section 7.05**.

Section 7.06 Further Assurances.

Subject to the terms and conditions of this Equity Restructuring Agreement, from time to time after the Closing, each Party shall execute and deliver all such instruments of sale, transfer, conveyance, assignment, confirmation, provide such materials and information, and take, and cause to be taken, all such other actions as any other Party, respectively, may reasonably request in order to effect, consummate, confirm or evidence the transactions contemplated by this Equity Restructuring Agreement and the Ancillary Agreements and carry out the purposes of this Equity Restructuring Agreement and the Ancillary Agreements.

ARTICLE 8 TERMINATION

Section 8.01 Termination.

This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written consent of STRATTEC and WITTE;

(b) by STRATTEC or WITTE by written notice to the respective other party in the event that any of the conditions specified in **Section 4.02** (other than those to be performed by the terminating party) have not been satisfied or properly waived prior to August 31, 2023.

(c) by WITTE by written notice to STRATTEC if WITTE (or one of its Affiliates or Representatives) is not then in material breach of any provision of this Equity Restructuring Agreement or any of the VAST Membership Interest Purchase Agreement or the SPA Membership Interest Purchase Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by STRATTEC pursuant to this Equity Restructuring Agreement or any of the VAST Membership Interest Purchase Agreement or the SPA Membership Interest Purchase Agreement, that would give rise to the failure of any of the conditions specified in **Section 4.02** and such breach, inaccuracy or failure has not been cured by STRATTEC within ten (10) days of STRATTEC's receipt of written notice of such breach from WITTE or if the WITTE Board has not approved, which approval shall be in the sole discretion of the WITTE Board, by way of board resolution the execution of this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement and the SPA Membership Interest Purchase Agreement by WITTE and the transactions set forth in this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement, and the SPA Membership Interest Purchase Agreement on or before June 30, 2023.

(d) by STRATTEC by written notice to WITTE if STRATTEC (or one of its Affiliates or Representatives) is not then in material breach of any provision of this Equity Restructuring Agreement or any of the VAST Membership Interest Purchase Agreement or the SPA Membership Interest Purchase Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by WITTE pursuant to this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement or the SPA Membership Interest Purchase Agreement that would give rise to the failure of any of the conditions specified in **Section 4.02** and such breach, inaccuracy or failure has not been cured by WITTE within ten (10) days of WITTE's receipt of written notice of such breach from STRATTEC or if the STRATTEC Board has not approved, which approval shall be in the sole discretion of the STRATTEC Board, by way of board resolution the execution of this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement and the SPA Membership Interest Purchase Agreement and the transactions set forth in this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement and the SPA Membership Interest Purchase Agreement.

(e) by any Party in the event that (i) there shall be any Law that makes the consummation of the transactions contemplated by this Equity Restructuring Agreement illegal or otherwise prohibited or (ii) any Governmental Authority shall have issued a Governmental Order restraining or enjoining the transactions contemplated by this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement, the SPA Membership Interest Purchase Agreement or the VAST Korea Purchase Agreement and such Governmental Order shall have become final and non-appealable.

Section 8.02 Effect of Termination.

In the event of the termination of this Equity Restructuring Agreement in accordance with this **ARTICLE 8**, this Equity Restructuring Agreement and any of the VAST Membership Interest Purchase Agreement and the SPA Membership Interest Purchase Agreement shall forthwith become void and there shall be no liability on the part of any party hereto except:

(a) as set forth in this **ARTICLE 8, Section 7.02** (Restrictive Covenants) and **ARTICLE 9**; and

(b) that nothing herein shall relieve any party hereto from liability for any willful or intentional breach of any material provision hereof.

ARTICLE 9 **MISCELLANEOUS**

Section 9.01 Expenses.

Except as otherwise expressly provided herein, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Equity Restructuring Agreement and the transactions contemplated hereby shall be paid by the Party incurring such costs and expenses.

Section 9.02 Notices.

All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by e-mail of a PDF document (with no evidence of failed transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this **Section 9.02**):

If to STRATTEC:

STRATTEC SECURITY CORPORATION
3333 West Good Hope Road
Milwaukee, Wisconsin 53209
Attention: Frank J. Krejci, President and CEO
Email: fkrejci@strattec.com

with copy (which shall
not constitute notice) to:

Reinhart Boerner Van Deuren s.c.
N16 W23250 Stone Ridge Drive, Suite 1
Waukesha, WI 53188
Attention: Eric P. Hagemeyer
E-mail: ehagemeyer@reinhartlaw.com

If to WITTE:

WITTE Automotive GmbH
Höferstr. 3-15
42551 Velbert, Germany
Attention: Rainer Götz, Chief Executive Officer
Email: rainer.goelz@witte-automotive.de

with copy (which shall
not constitute notice) to:

McDermott Will & Emery LLP
Stadttor 1
40219 Düsseldorf, Germany
Attention: Dr. Matthias Kampshoff
Email: mkampshoff@mwe.com

Section 9.03 Interpretation.

For purposes of this Equity Restructuring Agreement, (a) the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation”; (b) the word “or” is not exclusive and has the inclusive meaning “and/or”; (c) the words “this Equity Restructuring Agreement,” “herein,” “hereof,” “hereby,” “hereto” and “hereunder” and words of similar import refer to this Equity Restructuring Agreement, for the avoidance of doubt including the Exhibits hereto, as a whole and not to any particular clause or other subdivision thereof unless

expressly so limited or the context provides for otherwise (whether expressly or implied), and the words “this Section,” “this clause,” and words of similar import, refer only to the Section, clause or other subdivision hereof in which such words occur; (d) the words “furnished,” “made available to” or words of similar import mean that all such documents have been provided to another party at least two Business Days prior to the Closing, unless provided for otherwise in the specific provision of this Equity Restructuring Agreement; (e) the phrases “ordinary course” or “ordinary course of business” when used with respect to any Person means taking or refraining to take any action, if such action by such Person is (i) consistent in all material respects with the past practices of such Person and is taken in the ordinary course of the operations of such Person and in accordance with applicable Law or (ii) consistent in all material respects with the then-current ordinary course operations of similarly situated Persons operating in the industries and markets in which the such Person operates, solely to the extent that any such action is taken in response to required or recommended quarantines, shutdowns, interruptions, travel restrictions, or similar guidelines, in each case, issued by a Governmental Authority or related to or resulting from any epidemic, pandemic or other public health emergency is inconsistent in any material respect with past practices of such Person or its ordinary course operation; (f) pronouns in masculine, feminine or neuter genders shall be construed to include any other gender, and words, terms and titles (including terms defined herein) in the singular form shall be construed to include the plural and vice versa, in each case, unless the context otherwise requires; and (g) except as expressly provided otherwise herein, all accounting terms used but not defined herein shall have the meanings given to them under GAAP. Unless the context otherwise requires, references herein: (x) to Articles, Sections, Schedules and Exhibits mean the Articles and Sections of, and Schedules and Exhibits attached to, this Equity Restructuring Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Equity Restructuring Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The Schedules and Exhibits referred to herein shall be construed with, and as an integral part of, this Equity Restructuring Agreement to the same extent as if they were set forth verbatim herein.

Section 9.04 Headings.

The headings in this Equity Restructuring Agreement are for reference only and shall not affect the interpretation of this Equity Restructuring Agreement.

Section 9.05 Severability.

If any term or provision of this Equity Restructuring Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Equity Restructuring Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties shall negotiate in good faith to modify this Equity Restructuring Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 9.06 Entire Agreement.

This Equity Restructuring Agreement and the Ancillary Agreements constitute the sole and entire agreement of the parties to this Equity Restructuring Agreement and the Ancillary Agreements, respectively, with respect to the subject matter contained herein and therein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Equity Restructuring Agreement and those in the Ancillary Agreements, the Exhibits and Schedules, the statements in the body of this Equity Restructuring Agreement will control.

Section 9.07 Successors and Assigns.

This Equity Restructuring Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assigns. No Party may assign its rights or obligations hereunder without the prior written consent of the other Parties, which consent shall not be unreasonably withheld, conditioned or delayed. No assignment shall relieve the assigning Party of any of its obligations hereunder.

Section 9.08 No Third-Party Beneficiaries.

Except as provided in **Section 7.01(a)**, **Section 7.02**, **Section 7.04**, **Section 7.05**, and **Section 9.09** of this Equity Restructuring Agreement, and **ARTICLE 4** of the VAST Membership Interest Purchase Agreement as well as **ARTICLE 4** of the SPA Membership Interest Purchase Agreement, this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement and the SPA Membership Interest Purchase Agreement is for the sole benefit of the Parties and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement and the SPA Membership Interest Purchase Agreement.

Section 9.09 No Recourse.

All causes of Action (whether in contract or in tort, in equity or at law, or granted by statute) that may be based upon, in respect of, arise under, out or by reason of, be connected with, or relate in any manner to this Equity Restructuring Agreement, or the negotiation, preparation, execution, delivery, performance or breach of this Equity Restructuring Agreement (including any representation or warranty made in, in connection with, or as an inducement to, this Equity Restructuring Agreement), may be brought only against (and are those solely of) the Persons that are expressly identified as Parties in the preamble of this Equity Restructuring Agreement or that execute and deliver this Equity Restructuring Agreement or any other Ancillary Agreement (each, a “**Contracting Party**”). No Person who is not a Contracting Party, including any past, present or future direct or indirect equity holder, Affiliate or Representative of such Contracting Party or any Affiliate or Representative of any of the foregoing (the “**Non-Recourse Party**”), shall have any liability or other obligation (whether in contract or in tort, in equity or at law, or granted by statute) for any cause of Action arising under, out of, in connection with, or related in any manner to this

Equity Restructuring Agreement or based on, in respect of, or by reason of this Equity Restructuring Agreement or its negotiation, preparation, execution, delivery, performance, or breach; and, to the maximum extent permitted by applicable Law, each Contracting Party hereby waives and releases all such causes of Action against any such Non-Recourse Party. Without limiting the generality of the foregoing, to the maximum extent permitted by applicable Law: (a) each Contracting Party hereby waives and releases any and all causes of Action that may otherwise be brought in equity or at law, or granted by statute, to avoid or disregard the entity form of a Contracting Party or otherwise impose liability or other obligation of any Contracting Party on any Non-Recourse Party, whether granted by statute or based on theories of equity, agency, control, instrumentality, alter ego, domination, sham, single business enterprise, piercing the veil, unfairness, undercapitalization, or otherwise and (b) each Contracting Party disclaims any reliance upon any Non-Recourse Party with respect to the performance of this Equity Restructuring Agreement or any representation or warranty made in, in connection with, or as an inducement to this Equity Restructuring Agreement. Non-Recourse Parties are expressly intended as third-party beneficiaries of this provision of this Equity Restructuring Agreement. In the event that any provision of this Equity Restructuring Agreement provides that a party hereto shall cause its Affiliates or any other Persons to take any action (or refrain from taking any action) or otherwise purports to be binding on such party's Affiliates or such other Persons, such party shall be liable for any breach of such provision by any such Affiliate or other Person.

Section 9.10 Amendment and Modification; Waiver.

This Equity Restructuring Agreement (including, for the avoidance of doubt, the VAST Membership Interest Purchase Agreement and the SPA Membership Interest Purchase Agreement) may only be amended, modified, or supplemented by an agreement in writing signed by all Parties. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Equity Restructuring Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power, or privilege.

Section 9.11 Governing Law; Jurisdiction; Mediation; Waiver of Jury Trial.

(a) This Equity Restructuring Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction).

(b) Except as hereinafter provided in this **Section 9.11(b)**, all claims, controversies, differences, or disputes between or among the parties hereto arising from or relating to this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement, the SPA Membership Interest Purchase Agreement and any of the Ancillary Agreements, including claims by one party that another party or parties hereto have failed

to perform any of their obligations hereunder or thereunder (collectively, “**Agreement Disputes**”), shall be resolved as follows

(i) Mediation. The parties to an Agreement Dispute shall first attempt to resolve such Agreement Dispute by means of a facilitative mediation conducted in the following manner. A party desiring mediation of any Agreement Dispute shall give or shall have given a written notice (a “**Dispute Notice**”), to the other party or parties setting forth the nature of the dispute and the relief intended to be sought and shall submit such Agreement Dispute for resolution by facilitative mediation in Chicago, Illinois or at such other place or remotely as the Parties may mutually agree upon in writing, under the Commercial Mediation Rules (but not otherwise under the auspices) of the American Arbitration Association (the “**AAA**”) in effect on the date of this Equity Restructuring Agreement, unless the parties have agreed, in writing, to resolve any such dispute by other means. Unless otherwise agreed by the parties, such mediation shall be facilitated by a neutral facilitator reasonably acceptable to the parties and shall require the parties to fully articulate the positions they would expect to advance in any litigation of the same Agreement Dispute, to discuss with each other in good faith their respective positions, and to make commercially reasonable efforts to resolve the Agreement Dispute. All mediation communications shall be deemed settlement discussions under applicable state and federal rules of evidence. Except as agreed by the parties to the Agreement Dispute, the facilitator shall keep confidential all information disclosed during negotiations. The facilitator shall not act as a witness for either party in any subsequent arbitration or other legal proceedings between the parties. Any period of limitation applicable to the Agreement Dispute shall be tolled from the date on which the request for facilitative mediation is made to the date which is sixty (60) days after the termination of the facilitative mediation. Each Party agrees that it will submit to and shall not challenge or object to the jurisdiction (either personal or subject matter) or the venue of such mediation in Chicago, Illinois.

(ii) Legal Proceedings. If any Agreement Dispute has not been resolved by mediation as provided above within sixty (60) days after submission thereof, then either party may commence a suit or legal action or an action at equity to enforce its rights or the other party's obligations or recover any damages arising from the other party's breach or such other relief as may be appropriate under the circumstances in the manner provided herein.

(iii) Attorney Fees and Other Costs. Each party to any mediation or any action or legal or other proceeding brought with respect to an Agreement Dispute shall pay its own fees and disbursements of its attorneys, accountants, and expert witnesses in connection with any such mediation or any action or legal or other proceeding brought in accordance with the provisions hereof.

(iv) Exceptions for Equitable Relief. Notwithstanding the foregoing or anything to the contrary contained elsewhere in this Equity Restructuring Agreement, a party may bring a proceeding against any other party hereto for specific performance or injunctive or other forms or equitable relief in the state or

federal courts of Delaware as provided in this Equity Restructuring Agreement, without having to submit the matter or Agreement Dispute in question to mediation as hereinabove set forth, *provided, however*, that such party shall not seek any monetary award or relief in such action or proceeding unless its failure to do so would prejudice such party's rights or ability to seek such monetary award or relief in another action or proceeding.

(c) SUBJECT TO **Section 9.11(b)**, ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS EQUITY RESTRUCTURING AGREEMENT, THE ANCILLARY AGREEMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY SHALL BE INSTITUTED IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA OR THE COURTS OF THE STATE OF DELAWARE, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN ANY SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR ANY PROCEEDING IN SUCH COURTS AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(d) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS EQUITY RESTRUCTURING AGREEMENT, OR THE ANCILLARY AGREEMENTS IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS EQUITY RESTRUCTURING AGREEMENT, THE OTHER ANCILLARY AGREEMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY TO THIS EQUITY RESTRUCTURING AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS EQUITY RESTRUCTURING AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS **Section 9.11(d)**.

Section 9.12 Specific Performance.

The Parties agree that irreparable damage would occur if any provision of this Equity Restructuring Agreement, the VAST Membership Interest Purchase Agreement, or the SPA Membership Interest Purchase Agreement were not performed in accordance with the terms hereof and that the Parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

Section 9.13 Counterparts.

This Equity Restructuring Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Equity Restructuring Agreement delivered by e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Equity Restructuring Agreement.

Section 9.14 Relationship of Parties.

Nothing contained in this Equity Restructuring Agreement shall, or shall be deemed to, constitute a partnership, joint venture or agency agreement among any of STRATTEC, WITTE or any of their respective Affiliates.

Section 9.15 English Language.

This Equity Restructuring Agreement has been written and executed in the English language. All questions of construction arising under this Equity Restructuring Agreement shall be resolved through reference to the executed instrument in English whether or not counterparts hereof are written and/or executed in another language.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have caused this Equity Restructuring Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

STRATTEC:

STRATTEC SECURITY CORPORATION

By: /s/ Frank J. Krejci
Name: Frank J. Krejci
Title: President and Chief Executive Officer

WITTE:

WITTE AUTOMOTIVE GMBH

By: /s/ Rainer Gözl
Name: Rainer Gözl
Title: Chief Executive Officer

EXHIBIT A
VAST MEMBERSHIP INTEREST PURCHASE AGREEMENT

This VAST Membership Interest Purchase Agreement dated as of June 30, 2023, is made by and among STRATTEC and WITTE.

RECITALS

WHEREAS, this VAST Membership Interest Purchase Agreement forms Exhibit A to that certain Equity Restructuring Agreement entered into by and among STRATTEC and WITTE and is entered into simultaneously with such Equity Restructuring Agreement without further execution of this VAST Membership Interest Purchase Agreement being required.

WHEREAS, capitalized terms used but not defined in this VAST Membership Interest Purchase Agreement shall have the meaning ascribed to such terms in the Equity Restructuring Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and agreements in this VAST Membership Interest Purchase Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the STRATTEC and WITTE hereby agree as follows:

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ARTICLE 1
PURCHASE AND SALE

Section 1.01 Purchase and Sale.

Subject to the terms and conditions set forth herein, at the Closing, STRATTEC shall sell, transfer, assign and convey to WITTE, and WITTE shall purchase, the Sold VAST Membership Interests, including all of STRATTEC's rights, title, and interest therein, free and clear of all Encumbrances (other than compliance with applicable transfer limitations or requirements imposed under applicable foreign, federal (U.S.) and state securities laws) for the consideration specified in **Section 1.02**. Upon and following the Closing, STRATTEC shall cease to own the Sold VAST Membership Interests and shall cease to be a member of VAST or have any right or obligation under the limited liability company or operating agreement of VAST. For the avoidance of doubt, but subject to Section 7.04 of the Equity Restructuring Agreement, unless otherwise agreed by the applicable parties, the consummation of the transactions contemplated by this VAST Membership Purchase Agreement shall not release STRATTEC from any obligations it may have to VAST or WITTE under this VAST Membership Purchase Agreement, the Ancillary Agreements or any other agreement or document to which it is bound.

Section 1.02 Purchase Price.

(a) The aggregate purchase price for the Sold VAST Membership Interests (the "**VAST Purchase Price**") shall be equal to \$24,263,000.

(b) At the Closing, the VAST Purchase Price shall be partially offset with immediate effect against

- (i) the SPA Purchase Price due WITTE;
- (ii) the VAST Korea Purchase Price; and
- (iii) the Additional STRATTEC Payment.

The remainder of the VAST Purchase Price minus the Chinese Withholding Tax Amount (as defined below) shall be paid at the Closing by wire transfer of immediately available funds to the account(s) designated in writing by STRATTEC to WITTE (the "**Closing Date Payment**").

Section 1.03 Transactions to be Effected at the Closing.

(a) At the Closing, WITTE shall deliver or shall cause to be delivered to STRATTEC:

- (i) The Closing Date Payment.
 - (ii) All other agreements, documents, instruments or certificates required to be delivered by WITTE with regard to the sale and purchase of the Sold VAST Membership Interests at or prior to the Closing pursuant to **Section 4.02** of the Equity Restructuring Agreement.
-

(b) At the Closing, STRATTEC shall deliver to WITTE:

(i) An assignment of the Sold VAST Membership Interests to WITTE in form and substance reasonably satisfactory to WITTE (the "**VAST Assignment**"), duly executed by STRATTEC.

(ii) A properly completed, duly executed and currently effective IRS Form W-9.

(iii) Evidence of the release or termination of all Liens (other than Permitted Liens) encumbering the Sold VAST Membership Interests.

(iv) All agreements, documents, instruments or certificates required to be delivered by STRATTEC with regard to the sale and purchase of the Sold VAST Membership Interests at or prior to the Closing pursuant to **Section 4.02** of the Equity Restructuring Agreement.

Section 1.04 Withholding Tax.

WITTE shall be entitled to deduct and withhold from the VAST Purchase Price all Taxes that WITTE and VAST may be required to deduct and withhold under any provision of applicable Law with respect to the making of such payment after taking into account any Tax form or certificate provided by STRATTEC to WITTE (i.e., a W-9, a certificate delivered pursuant to Section 1445 of the Code or any similar certificate related to withholding obligations of a Party). If WITTE determines that Tax withholding is required pursuant to this Section, unless STRATTEC has proven to the reasonable discretion of WITTE that no such Tax liability exists or such Tax liability has already been comprehensively indicated or provided for by STRATTEC -, WITTE shall provide notice thereof to STRATTEC promptly following such determination, and such notice shall include the applicable authority under which such withholding is required. WITTE shall reasonably cooperate with STRATTEC to lawfully avoid or minimize any Tax withholding from the consideration payable pursuant to this Agreement. All such withheld amounts shall be treated as delivered to STRATTEC hereunder. STRATTEC confirms to WITTE that no withholding Tax payable to the US Tax authorities applies in connection with the sale and transfer of the Sold VAST Membership Interests from STRATTEC to WITTE in accordance with this Agreement.

ARTICLE 2 REPRESENTATIONS AND WARRANTIES OF STRATTEC

STRATTEC represents and warrants to WITTE that the statements contained in this Article are true and correct on the date hereof and will be true and correct as of the Closing Date.

Section 2.01 Sold VAST Membership Interests.

(a) The Sold VAST Membership Interests constitute one-third (1/3) of the total issued and outstanding limited liability company membership interests in VAST. The Sold VAST Membership Interests have been duly authorized and are validly issued, fully paid and non-assessable. Upon consummation of the transactions contemplated by this VAST

Membership Interest Purchase Agreement, WITTE shall own all of the Sold VAST Membership Interests, free and clear of all Encumbrances (other than those, if any, imposed under the VAST Operating Agreement or under applicable transfer limitations or requirements imposed under foreign, federal (U.S.) and state securities laws), and STRATTEC shall cease to own the Sold VAST Membership Interests or to be a member of VAST.

(b) The Sold VAST Membership Interests were issued in compliance with applicable Laws and were not issued in violation of the Organizational Documents of VAST or any other agreement, arrangement, or commitment to which VAST is a party and are not subject to or in violation of any preemptive or similar rights of any Person.

(c) There are no outstanding or authorized options, calls, warrants, convertible securities or other rights (including any right of first refusal or preemptive rights), agreements, arrangements or commitments of any character relating to the Sold VAST Membership Interests obligating STRATTEC to sell the Sold VAST Membership Interests or any rights therein or otherwise encumbering the Sold VAST Membership Interests, except as may be included in the VAST Operating Agreement. Other than as set forth in the Organizational Documents of VAST, there are no voting trusts, proxies or other agreements or understandings in effect with respect to the voting or transfer of any of the Sold VAST Membership Interests.

(d) To STRATTEC's Knowledge, VAST does not have claims against STRATTEC resulting from a breach by STRATTEC of any of its obligations to VAST under the VAST Operating Agreement.

Section 2.02 No Conflicts; Consents.

Except for restrictions imposed under the VAST Operating Agreement, the execution, delivery and performance by STRATTEC of this VAST Membership Purchase Agreement and the Ancillary Agreements to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the Organizational Documents of STRATTEC or, to STRATTEC's Knowledge, any provision of the Organizational Documents of VAST or any of its Subsidiaries; (b) conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to STRATTEC; (c) require the consent, notice or other action by any Person under, conflict with, result in a violation or breach of, constitute a default or an event that, with or without notice or lapse of time or both, would constitute a default under, result in the acceleration of or create in any party the right to accelerate, terminate, modify or cancel any Contract relating to the Sold VAST Membership Interests to which STRATTEC is a party, or by which STRATTEC is bound, or (d) result in the creation or imposition of any Encumbrance other than Permitted Liens on the Sold VAST Membership Interests.

Section 2.03 Taxes.

(a) STRATTEC has duly and timely paid all Taxes owed by it with respect to the Sold VAST Membership Interests that are due and payable on or before the Closing Date

(taking into account timely filed extensions), other than Taxes that are being contested in good faith by appropriate proceedings.

(b) There are no Liens relating or attributable to Taxes encumbering the Sold VAST Membership Interests nor, to STRATTEC's Knowledge, is any Taxing Authority in the process of imposing any Lien for Taxes on the Sold VAST Membership Interests, other than Permitted Liens.

(c) STRATTEC (solely in respect of the Sold VAST Membership Interests) is in compliance in all material respects with all applicable information reporting and Tax withholding, collection, deduction, and similar requirements under applicable Laws, including the tax filing or voluntary reporting (as applicable) with respect to PN7 as provided in **Section 4.02**.

(d) STRATTEC has not received from any Taxing Authority any written notice to assess or assert any deficiency or assessment, or proposed in writing any adjustment or examination, with respect to any Taxes with respect to the Sold VAST Membership Interests that has not been fully resolved or paid. There are no pending or, to STRATTEC's Knowledge, threatened audits, examinations or similar proceedings in respect of Taxes with respect to the Sold VAST Membership Interests.

ARTICLE 3 **REPRESENTATIONS AND WARRANTIES OF WITTE**

WITTE represents and warrants to STRATTEC that the statements contained in this Article are true and correct on the date hereof and will be true and correct as of the Closing Date.

Section 3.01 No Conflicts; Consents.

The execution, delivery and performance by WITTE of this VAST Membership Purchase Agreement and the Ancillary Agreements to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the Organizational Documents of WITTE; (b) conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to WITTE; or (c) require the consent, notice or other action by any Person under any Contract to which WITTE is a party. No consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to WITTE in connection with the execution and delivery of this VAST Membership Purchase Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby.

Section 3.02 Investment Purpose.

WITTE (a) is acquiring the Sold VAST Membership Interests for its own account and not with a view to distribution, (b) is an "accredited investor" as such term is defined in Rule 501(a) under the Securities Act of 1933, as amended, (c) has sufficient knowledge and experience in financial and business matters so as to be able to evaluate the merits and risk of an investment in the Sold VAST Membership Interests and is able financially to bear the risks thereof and (d)

understands that the Sold VAST Membership Interests will, upon purchase, be characterized as “restricted securities” under state and federal securities Laws and that under such Laws the Sold VAST Membership Interests may be resold without registration under such Laws only in certain limited circumstances.

Section 3.03 Sufficiency of Funds.

WITTE has sufficient funds available to enable it to make payment of the Closing Date Payment as and when due and to consummate the transactions contemplated by this VAST Membership Purchase Agreement.

ARTICLE 4 **TAX MATTERS**

Section 4.01 Tax Covenants.

Subject to **Section 4.02**, all transfer, documentary, sales, use, stamp, registration, value added and other similar Taxes and fees (including any penalties and interest) incurred in connection with this VAST Membership Purchase Agreement and the VAST Ancillary Agreements (including any real property transfer Tax and any other similar Tax) (collectively, “**VAST Transfer Taxes**”) shall be borne and paid when due by the Party that bears responsibility for such Taxes under applicable Laws. Each Party shall, at its own expense, timely file any Tax Return or other document with respect to such Transfer Taxes or fees required by applicable Law to be paid and filed by such Person (and each Party shall, and shall, to the extent legally possible, use its rights and powers on behalf of its Affiliates to cause its Affiliates (including with respect to WITTE, VAST, to reasonably cooperate with respect thereto). WITTE shall cause VAST (a) to close its books for Tax purposes as of the Closing Date (provided, however, that with respect to each of VAST Brasil, VAST China and Minda-VAST, such closing of the books shall be as of the Early Effective Date) and (b) to distribute to STRATTEC as soon as reasonably practical following the Closing Date any Tax Distribution (as such term is defined in the VAST Operating Agreement) to which STRATTEC is entitled with respect to the period of its ownership of the Sold VAST Membership Interests.

Section 4.02 Tax Matters China

With regard to tax matters in China in particular, STRATTEC shall be responsible for the Tax filing(s) in the People’s Republic of China (“**PRC**”) in connection with the transactions set out in this VAST Membership Interest Purchase Agreement. STRATTEC undertakes to make such Tax filing(s) and report the purchase and sale of the Sold VAST Membership Interest provided in this VAST Membership Interest Purchase Agreement pursuant to Article 9 of PN7 (defined below) in an applicable province of the PRC within 30 calendar days after signing of this Agreement (the “**PN7 Filing**”). STRATTEC shall assess in accordance with Announcement of the State Taxation Administration [2015] No. 7 (“**PN7**”), and, in the event that the transactions set out in this VAST Membership Interest Purchase Agreement triggers capital gains tax liability in the PRC under PN7, STRATTEC shall settle the tax payment accordingly, and provide to WITTE a copy of the respective tax filing(s), a copy of the tax payment certificate and a copy of all documents in relation to tax assessment, filing and settlement as soon as they are available, including all relevant

documents prepared by third parties such as valuation reports, external assessments, etc. In the event that the transactions set out in this VAST Membership Interest Purchase Agreement do not trigger capital gains tax liability in the PRC under PN7, STRATTEC shall perform voluntary reporting to the competent tax authorities, and provide a copy of such voluntary reporting as well as a copy of all documents in relation to such voluntary reporting to WITTE as soon as they are available, including all relevant documents prepared by third parties such as valuation reports, external assessments, etc. STRATTEC warrants to WITTE at any time any capital gains tax as well as respective late payment surcharges and penalties in the PRC triggered by the transactions set out in this VAST Membership Interest Purchase Agreement if so imposed on WITTE or VAST or the VAST Parties and agrees to reimburse in full without undue delay. Such warranty is not reduced, waived or otherwise negatively affected by the concept of the Early Effective Date and covers any capital gains taxes even though PRC's tax authorities may refer to the Closing Date instead of the Early Effective Date. The Parties agree that WITTE is entitled to withhold an amount of USD \$2,000,000 from the VAST Purchase Price with respect to the expected capital gains tax payable to the PRC Tax authorities as a consequence of the transaction contemplated hereunder ("**Chinese Withholding Tax Amount**"). The Chinese Withholding Tax Amount shall be deposited at Closing by WITTE in a segregated bank account established by WITTE for the sole purpose of holding such amount to ensure STRATTEC makes the PN7 Filing and WITTE shall provide STRATTEC reasonable evidence at Closing of such deposit. Such Chinese Withholding Tax Amount shall not be intermingled with other WITTE funds or accounts and shall not be subject to offset or set off rights by WITTE nor shall it be used by WITTE for any purpose, whether for commercial purposes, for funding of claims or fees related to the transactions contemplated hereby, for covering any force majeure event or for any other purpose, and shall serve for WITTE solely as security to ensure STRATTEC completes the PN7 Filing. WITTE shall pay the Chinese Withholding Tax Amount within five calendar days to STRATTEC after STRATTEC (or its Tax advisor) has furnished a copy of the PN7 Filing to WITTE (along with evidence of the submission of such filing to the applicable Chinese provincial Tax authorities) by wire transfer of immediately available funds to the account designated in writing by STRATTEC to WITTE. In the event WITTE fails to pay the Chinese Withholding Tax Amount to STRATTEC when due, as liquidated damages and not as a penalty, it shall pay STRATTEC \$10,000 (USD) for each day that such payment is delayed after the due date hereunder.

Section 4.03 Tax Indemnification.

(a) Except as otherwise provided in this VAST Membership Purchase Agreement, STRATTEC shall indemnify VAST Parties, WITTE, and each WITTE Indemnitee and hold them harmless from and against any Losses arising out of or resulting from: (i) any Taxes arising out of or resulting from the breach or inaccuracy of any representation or warranty set forth in **Section 2.03** (including any Taxes owed by STRATTEC as a result of STRATTEC owning the Sold VAST Membership Interests on or before the Closing Date); (ii) any Taxes arising out of or resulting from the breach or violation of, any covenant or warranty set forth in this **ARTICLE 4** (including any Transfer Taxes and capital gains taxes for which STRATTEC is liable); and (iii) any Taxes (as finally determined) for any taxable period ending on or before the Closing Date or, in the case of a taxable period beginning on or before the Closing Date and ending after the Closing Date, the portion of such taxable period that includes the Closing Date, that are either (A) allocable to the Sold VAST Membership Interests or (B) required to be paid by

WITTE (as a result of a “push-out” election), in each case, resulting from a final partnership adjustment imposed on VAST by the IRS pursuant to the partnership audit rules of Section 6221 *et. seq.* of the Code (including, for the avoidance of doubt, in the case of each of clauses (i) through (iii) of this **Section 4.03(a)**, any such Taxes arising from any Tax audit or similar proceeding).

(b) Except as otherwise provided in this VAST Membership Purchase Agreement, WITTE shall indemnify STRATTEC and each STRATTEC Indemnitee and hold them harmless from and against any Losses arising out of or resulting from: (i) any Taxes arising out of or resulting from the breach or violation of, any covenant set forth in this **ARTICLE 4** (including any Transfer Taxes for which WITTE is liable); and (ii) any Taxes (as finally determined) for any taxable period ending on or before the Closing Date or, in the case of a taxable period beginning on or before the Closing Date and ending after the Closing Date, the portion of such taxable period that includes the Closing Date, that are either (A) allocable to the portion of the VAST limited liability company membership interests that are not Sold VAST Membership Interests or (B) required to be paid by WITTE with respect to such VAST limited liability company membership interests that are not Sold VAST Membership Interests (as a result of a “push-out” election), in each case, resulting from a final partnership adjustment imposed on VAST by the IRS pursuant to the partnership audit rules of Section 6221 *et. seq.* of the Code (including, for the avoidance of doubt, in the case of each of clauses (i) and (ii) of this **Section 4.03(b)**, any such Taxes arising from any Tax audit or similar proceeding).

Section 4.04 Cooperation and Exchange of Information.

STRATTEC and WITTE shall provide each other with such cooperation and information as either of them reasonably may request of the other in filing any Tax Return pursuant to this **ARTICLE 4** or in connection with any audit or other proceeding in respect of Taxes of the VAST Parties with respect to any taxable period beginning before the Closing Date. Such cooperation and information shall include providing copies of relevant Tax Returns or portions thereof, together with accompanying schedules, related work papers and documents relating to rulings or other determinations by Taxing Authorities. Each of STRATTEC and WITTE shall retain all Tax Returns, schedules and work papers, records and other documents in its possession relating to Tax matters of VAST Parties for any taxable period beginning before the Closing Date until the expiration of the statute of limitations of the taxable periods to which such Tax Returns and other documents relate, without regard to extensions except to the extent notified by the other party in writing of such extensions for the respective taxable periods. Prior to transferring, destroying or discarding any Tax Returns, schedules and work papers, records and other documents in its possession relating to Tax matters of the VAST Parties for any taxable period beginning before the Closing Date, STRATTEC and WITTE (as the case may be) shall provide the other party with reasonable written notice and offer the other party the opportunity to take custody of such materials. Any information obtained under this **Section 4.04** shall be kept confidential, except (i) as may be otherwise necessary in connection with the filing of Tax Returns or claims for refund or in conducting or defending an audit, examination, litigation or other Action, (ii) with the consent of the Parties, as the case may be or (iii) as required by applicable Law. Notwithstanding the above, STRATTEC and WITTE, as applicable, shall not be required under this **Section 4.04** or any other provision of this VAST Membership Interest Purchase Agreement (x) to provide to other Parties

any Tax Return of STRATTEC or any of its Affiliates, or of WITTE or any of its Affiliates, respectively (in each case, other than the VAST Parties of which they may be in possession) and (y) neither WITTE nor STRATTEC shall be required under this **Section 4.04** to provide to the other party any information that is privileged if the disclosure of such information is reasonably expected to result in the loss of such privilege.

Section 4.05 Survival.

Notwithstanding anything in this VAST Membership Purchase Agreement to the contrary, the provisions of **Section 2.03** and this **ARTICLE 4** shall survive for the full period of all applicable limitations periods (giving effect to any waiver, mitigation or extension thereof) plus 30 days.

Section 4.06 Overlap.

To the extent that any obligation or responsibility pursuant to **ARTICLE 6** of the Equity Restructuring Agreement or any provision of this VAST Membership Interest Purchase Agreement may overlap with an obligation or responsibility pursuant to this **ARTICLE 4**, the provisions of this **ARTICLE 4** shall govern.

ARTICLE 5 **INDEMNIFICATION**

ARTICLE 6 (INDEMNIFICATION) of the Equity Restructuring Agreement shall apply *mutatis mutandis* to this VAST Membership Interest Purchase Agreement.

ARTICLE 6 **MISCELLANEOUS**

ARTICLE 9 (MISCELLANEOUS) of the Equity Restructuring Agreement shall apply *mutatis mutandis* to this VAST Membership Interest Purchase Agreement.

EXHIBIT B
SPA MEMBERSHIP PURCHASE AGREEMENT

This SPA Membership Interest Purchase Agreement dated as of June 30, 2023, is made by and among WITTE and STRATTEC.

RECITALS

WHEREAS, this SPA Membership Interest Purchase Agreement forms Exhibit B to that certain Equity Restructuring Agreement entered into by and among WITTE and STRATTEC and is entered into simultaneously with such Equity Restructuring Agreement without further execution of this SPA Membership Interest Purchase Agreement being required.

WHEREAS, capitalized terms used but not defined in this SPA Membership Interest Purchase Agreement shall have the meaning ascribed to such terms in the Equity Restructuring Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and agreements in this SPA Membership Interest Purchase Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, WITTE and STRATTEC hereby agree as follows:

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ARTICLE 1
PURCHASE AND SALE

Section 1.01 Purchase and Sale.

Subject to the terms and conditions set forth herein, at the Closing, WITTE shall sell, transfer, assign and convey to STRATTEC, and STRATTEC shall purchase, the Sold SPA Membership Interests, including all of WITTE's rights, title, and interest therein, free and clear of all Encumbrances (other than compliance with applicable transfer limitations or requirements imposed under applicable foreign, federal (U.S.) and state securities laws) for the consideration specified in **Section 1.02**. Upon and following the Closing, WITTE shall cease to own the Sold SPA Membership Interests and shall cease to be a member of SPA or have any right or obligation under the limited liability company agreement of SPA. For the avoidance of doubt, but subject to Section 7.05 of the Equity Restructuring Agreement, unless otherwise agreed by the applicable parties, the consummation of the transactions contemplated by this SPA Membership Purchase Agreement shall not release WITTE from any obligations it may have to SPA or STRATTEC under this SPA Membership Purchase Agreement, the Ancillary Agreements or any other agreement or document to which it is bound.

Section 1.02 Purchase Price.

(a) The aggregate purchase price for the Sold SPA Membership Interests (the "**SPA Purchase Price**") shall be equal to \$4,600,000.

(b) At the Closing, the SPA Purchase Price shall be offset with immediate effect against the VAST Purchase Price.

(c) At the Closing, STRATTEC shall pay an amount of \$500,000.00 to WITTE (the "**Additional STRATTEC Payment**"), which shall be offset with immediate effect against the VAST Purchase Price due STRATTEC. WITTE and STRATTEC agree that SPA will not be required to pay any dividends or make any distributions to its members for fiscal year 2023 prior to Closing.

Section 1.03 Transactions to be Effected at the Closing.

(a) At the Closing, STRATTEC shall deliver or shall cause to be delivered to WITTE all agreements, documents, instruments or certificates required to be delivered by STRATTEC with regard to the sale and purchase of the Sold SPA Membership Interests at or prior to the Closing pursuant to **Section 4.02** of the Equity Restructuring Agreement.

(b) At the Closing, WITTE shall deliver to STRATTEC:

(i) An assignment of the Sold SPA Membership Interests to STRATTEC in form and substance reasonably satisfactory to STRATTEC (the "**SPA Assignment**"), duly executed by WITTE.

(ii) A properly completed, duly executed and currently effective IRS Form W-8 applicable to WITTE.

(iii) Evidence of the release or termination of all Liens (other than Permitted Liens) encumbering the Sold SPA Membership Interests.

(iv) All agreements, documents, instruments or certificates required to be delivered by WITTE with regard to the sale and purchase of the Sold SPA Membership Interests at or prior to the Closing pursuant to **Section 4.02** of the Equity Restructuring Agreement.

Section 1.04 Withholding Tax.

(a) STRATTEC shall be entitled to deduct and withhold from the SPA Purchase Price all Taxes that STRATTEC and SPA may be required to deduct and withhold under any provision of applicable Law with respect to the making of such payment after taking into account any Tax form or certificate provided by WITTE to STRATTEC (i.e., a W-8, a certificate delivered pursuant to Section 1445 of the Code or any similar certificate related to withholding obligations of a Party). If STRATTEC determines that Tax withholding is required pursuant to this Section, STRATTEC shall provide notice thereof to WITTE promptly following such determination, and such notice shall include the applicable authority under which such withholding is required. STRATTEC shall reasonably cooperate with WITTE to lawfully avoid or minimize any Tax withholding from the consideration payable pursuant to this Agreement. All such withheld amounts shall be treated as delivered to WITTE hereunder. According to the current understanding of STRATTEC and WITTE no Tax to be withheld by STRATTEC applies in connection with the sale and transfer of the Sold SPA Membership Interests from WITTE to STRATTEC in accordance with this Agreement.

(b) Without limitation of the rights of STRATTEC pursuant to **Section 1.04(a)**, at the Closing, WITTE shall have delivered, or caused to be delivered, to STRATTEC, a certificate from SPA (A) complying with the provisions of Section 1445 of the Code and Treasury Regulations Section 1.1445-11T(d)(2) and informing STRATTEC that withholding is not required under Sections 897 and 1445 of the Code and (B) complying with the provisions of Section 1446(f) of the Code and Treasury Regulations Section 1.1446(f)-2(b) and informing STRATTEC that withholding is not required under Section 1446(f) of the Code. If such certifications are not received at Closing, STRATTEC will withhold an amount equal to 15 percent of the amount realized by WITTE in **Section 1.02(a)**.

ARTICLE 2 **REPRESENTATIONS AND WARRANTIES OF WITTE**

WITTE represents and warrants to STRATTEC that the statements contained in this Article are true and correct on the date hereof and will be true and correct as of the Closing Date.

Section 2.01 Sold SPA Membership Interests.

(a) The Sold SPA Membership Interests constitute one-fifth (1/5) of the total issued and outstanding limited liability company membership interests in SPA. The Sold SPA Membership Interests have been duly authorized and are validly issued, fully paid and non-assessable. Upon consummation of the transactions contemplated by this SPA Membership Interest Purchase Agreement, STRATTEC shall own all of the Sold SPA Membership Interests, free and clear of all Encumbrances (other than under applicable transfer limitations or requirements imposed under foreign, federal (U.S.) and state securities laws), and WITTE shall cease to own the Sold SPA Membership Interests or to be a member of SPA.

(b) The Sold SPA Membership Interests were issued in compliance with applicable Laws and were not issued in violation of the Organizational Documents of SPA or any other agreement, arrangement, or commitment to which SPA is a party and are not subject to or in violation of any preemptive or similar rights of any Person.

(c) There are no outstanding or authorized options, calls, warrants, convertible securities or other rights (including any right of first refusal or preemptive rights), agreements, arrangements or commitments of any character relating to the Sold SPA Membership Interests obligating WITTE to sell the Sold SPA Membership Interests or any rights therein or otherwise encumbering the Sold SPA Membership Interests. Other than as set forth in the Organizational Documents of SPA, there are no voting trusts, proxies or other agreements or understandings in effect with respect to the voting or transfer of any of the Sold SPA Membership Interests.

(d) To WITTE's Knowledge, SPA does not have claims against WITTE resulting from a breach by WITTE of any of its obligations to SPA under the SPA Operating Agreement.

Section 2.02 No Conflicts; Consents.

The execution, delivery and performance by WITTE of this SPA Membership Purchase Agreement and the SPA Ancillary Agreements to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the Organizational Documents of WITTE or, to WITTE's Knowledge, any provision of the Organizational Documents of SPA or any of its Subsidiaries; (b) conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to WITTE; (c) require the consent, notice or other action by any Person under, conflict with, result in a violation or breach of, constitute a default or an event that, with or without notice or lapse of time or both, would constitute a default under, result in the acceleration of or create in any party the right to accelerate, terminate, modify or cancel any Contract relating to the Sold SPA Membership Interests to which WITTE is a party, or by which WITTE is bound, or (d) result in the creation or imposition of any Encumbrance other than Permitted Liens on the Sold SPA Membership Interests.

Section 2.03 Taxes.

(a) WITTE has duly and timely paid all Taxes owed by it with respect to the Sold SPA Membership Interests that are due and payable on or before the Closing Date (taking into account timely filed extensions), other than Taxes that are being contested in good faith by appropriate proceedings.

(b) There are no Liens relating or attributable to Taxes encumbering the Sold SPA Membership Interests nor, to WITTE's Knowledge, is any Taxing Authority in the process of imposing any Lien for Taxes on the Sold SPA Membership Interests, other than Permitted Liens.

(c) WITTE (solely in respect of the Sold SPA Membership Interests) is in compliance in all material respects with all applicable information reporting and Tax withholding, collection, deduction, and similar requirements under applicable Laws.

(d) WITTE has not received from any Taxing Authority any written notice to assess or assert any deficiency or assessment, or proposed in writing any adjustment or examination, with respect to any Taxes with respect to the Sold SPA Membership Interests that has not been fully resolved or paid. There are no pending or, to WITTE's Knowledge, threatened audits, examinations or similar proceedings in respect of Taxes with respect to the Sold SPA Membership Interests.

ARTICLE 3 **REPRESENTATIONS AND WARRANTIES OF STRATTEC**

STRATTEC represents and warrants to WITTE that the statements contained in this Article are true and correct on the date hereof and will be true and correct as of the Closing Date.

Section 3.01 No Conflicts; Consents.

The execution, delivery and performance by STRATTEC of this SPA Membership Purchase Agreement and the SPA Ancillary Agreements to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the Organizational Documents of SPA; (b) conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to SPA; or (c) require the consent, notice or other action by any Person under any Contract to which STRATTEC is a party. No consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to STRATTEC in connection with the execution and delivery of this SPA Membership Purchase Agreement and the SPA Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby.

Section 3.02 Investment Purpose.

STRATTEC (a) is acquiring the Sold SPA Membership Interests for its own account and not with a view to distribution, (b) is an "accredited investor" as such term is defined in Rule 501(a) under the Securities Act of 1933, as amended, (c) has sufficient knowledge and experience in financial and business matters so as to be able to evaluate the merits and risk of an investment in the Sold SPA Membership Interests and is able financially to bear the risks thereof and (d)

understands that the Sold SPA Membership Interests will, upon purchase, be characterized as “restricted securities” under state and federal securities Laws and that under such Laws the Sold SPA Membership Interests may be resold without registration under such Laws only in certain limited circumstances.

Section 3.03 Sufficiency of Funds.

STRATTEC has sufficient funds available to enable it to make payment of the SPA Purchase Price as and when due and to consummate the transactions contemplated by this SPA Membership Purchase Agreement.

ARTICLE 4 **TAX MATTERS**

Section 4.01 Tax Covenants.

All transfer, documentary, sales, use, stamp, registration, value added and other similar Taxes and fees (including any penalties and interest) incurred in connection with this SPA Membership Purchase Agreement and the SPA Ancillary Agreements (including any real property transfer Tax and any other similar Tax) (collectively, “**SPA Transfer Taxes**”) shall be borne and paid when due by the Party that bears responsibility for such Taxes under applicable Laws. Each Party shall, at its own expense, timely file any Tax Return or other document with respect to such Transfer Taxes or fees required by applicable Law to be paid and filed by such Person (and each Party shall, and shall, to the extent legally possible, use its rights and powers on behalf of its Affiliates to cause its Affiliates (including with respect to STRATTEC, SPA, to reasonably cooperate with respect thereto). STRATTEC shall cause SPA (a) to close its books for Tax purposes as of the Closing Date and (b) to distribute to WITTE as soon as reasonably practical following the Closing Date any customary and usual tax distribution (determined with respect to the past practices of SPA to which WITTE is entitled with respect to the period of its ownership of the Sold SPA Membership Interests.

Section 4.02 Tax Indemnification.

(a) Except as otherwise provided in this SPA Membership Purchase Agreement, WITTE shall indemnify SPA Parties, STRATTEC, and each STRATTEC Indemnitee and hold them harmless from and against any Losses arising out of or resulting from: (i) any Taxes arising out of or resulting from the breach or inaccuracy of any representation or warranty set forth in **Section 2.03** (including any Taxes owed by WITTE as a result of WITTE owning the Sold SPA Membership Interests prior to the Closing Date); (ii) any Taxes arising out of or resulting from the breach or violation of, any covenant set forth in this **ARTICLE 4** (including any SPA Transfer Taxes for which WITTE is liable); (iii) any Taxes (as finally determined) for any taxable period ending on or before the Closing Date or, in the case of a taxable period beginning on or before the Closing Date and ending after the Closing Date, the portion of such taxable period that includes the Closing Date, that are either (A) allocable to the Sold SPA Membership Interests or (B) required to be paid by STRATTEC (as a result of a “push-out” election), in each case, resulting from a final partnership adjustment imposed on SPA by the IRS pursuant to the partnership audit rules

of Section 6221 *et. seq.* of the Code; (iv) any Taxes WITTE may be subject to in connection with any non-resident capital gains Tax in Mexico, including related to any failure to pay or any underpayment of such Tax to any applicable Governmental Authority in Mexico or otherwise and including any amounts related to any such unpaid Tax liabilities, and any penalties and interest owing in connection therewith; and (v) any Taxes due and owing by WITTE (or its Affiliates) under the Foreign Investment in Real Property Tax Act provisions of the Code that arises in connection with the transactions contemplated hereby which is in excess of any amounts of such Tax withheld by STRATTEC hereunder, if any, including any amounts related to any such unpaid Tax or withholding liabilities and any penalties and interest owing in connection therewith (including, for the avoidance of doubt, in the case of each of clauses (i) through (v) of this **Section 4.02(a)**, any such Taxes arising from any Tax audit or similar proceeding).

(b) Except as otherwise provided in this SPA Membership Purchase Agreement, STRATTEC shall indemnify WITTE and each WITTE Indemnitee and hold them harmless from and against any Losses arising out of or resulting from: (i) any Taxes arising out of or resulting from the breach or violation of, any covenant set forth in this **ARTICLE 4** (including any Transfer Taxes for which STRATTEC is liable); and (ii) any Taxes (as finally determined) for any taxable period ending on or before the Closing Date or, in the case of a taxable period beginning on or before the Closing Date and ending after the Closing Date, the portion of such taxable period that includes the Closing Date, that are either (A) allocable to the portion of the SPA limited liability company membership interests that are not Sold SPA Membership Interests or (B) required to be paid by STRATTEC with respect to such SPA limited liability company membership interests that are not Sold SPA Membership Interests (as a result of a “push-out” election), in each case, resulting from a final partnership adjustment imposed on SPA by the IRS pursuant to the partnership audit rules of Section 6221 *et. seq.* of the Code (including, for the avoidance of doubt, in the case of each of clauses (i) and (ii) of this **Section 4.02(b)**, any such Taxes arising from any Tax audit or similar proceeding).

Section 4.03 Cooperation and Exchange of Information.

WITTE and STRATTEC shall provide each other with such cooperation and information as either of them reasonably may request of the other in filing any Tax Return pursuant to this **ARTICLE 4** or in connection with any audit or other proceeding in respect of Taxes of the SPA Parties with respect to any taxable period beginning before the Closing Date. Such cooperation and information shall include providing copies of relevant Tax Returns or portions thereof, together with accompanying schedules, related work papers and documents relating to rulings or other determinations by Taxing Authorities. Each of WITTE and STRATTEC shall retain all Tax Returns, schedules and work papers, records and other documents in its possession relating to Tax matters of SPA Parties for any taxable period beginning before the Closing Date until the expiration of the statute of limitations of the taxable periods to which such Tax Returns and other documents relate, without regard to extensions except to the extent notified by the other party in writing of such extensions for the respective taxable periods. Prior to transferring, destroying or discarding any Tax Returns, schedules and work papers, records and other documents in its possession relating to Tax matters of the SPA Parties for any taxable period beginning before the Closing Date, WITTE and STRATTEC (as the case may be) shall provide the other party with

reasonable written notice and offer the other party the opportunity to take custody of such materials. Any information obtained under this **Section 4.04** shall be kept confidential, except (i) as may be otherwise necessary in connection with the filing of Tax Returns or claims for refund or in conducting or defending an audit, examination, litigation or other Action, (ii) with the consent of the Parties, as the case may be or (iii) as required by applicable Law. Notwithstanding the above, WITTE and STRATTEC, as applicable, shall not be required under this **Section 4.04** or any other provision of this SPA Membership Interest Purchase Agreement (x) to provide to other Parties any Tax Return of WITTE or any of its Affiliates, or of STRATTEC or any of its Affiliates, respectively (in each case, other than the SPA Parties of which they may be in possession) and (y) neither STRATTEC nor WITTE shall be required under this **Section 4.04** to provide to the other party any information that is privileged if the disclosure of such information is reasonably expected to result in the loss of such privilege.

Section 4.04 Survival.

Notwithstanding anything in this SPA Membership Purchase Agreement to the contrary, the provisions of **Section 2.03** and this **ARTICLE 4** shall survive for the full period of all applicable limitations periods (giving effect to any waiver, mitigation or extension thereof) plus 30 days.

Section 4.05 Overlap.

To the extent that any obligation or responsibility pursuant to **ARTICLE 6** of the Equity Restructuring Agreement or any provision of this SPA Membership Interest Purchase Agreement may overlap with an obligation or responsibility pursuant to this **ARTICLE 4**, the provisions of this **ARTICLE 4** shall govern.

ARTICLE 5 **INDEMNIFICATION**

ARTICLE 6 (INDEMNIFICATION) of the Equity Restructuring Agreement shall apply *mutatis mutandis* to this SPA Membership Interest Purchase Agreement.

ARTICLE 6 **MISCELLANEOUS**

ARTICLE 9 (MISCELLANEOUS) of the Equity Restructuring Agreement shall apply *mutatis mutandis* to this SPA Membership Interest Purchase Agreement.

EXHIBIT C
FORM OF VAST KOREA PURCHASE AGREEMENT

This Business Transfer Agreement (this “**Business Transfer Agreement**”), dated effective as of June 30, 2023, is made and entered into by and among (i) STRATTEC SECURITY CORPORATION, a Wisconsin corporation (the “**Buyer**”) (for and on behalf of Strattec Security Corporation, Korea Branch), and (ii) Vehicle Access Systems Technology LLC, a Delaware limited liability company (the “**Seller**”) (for and on behalf of Vehicle Access Systems Technology LLC, Korea Branch).

RECITALS

WHEREAS, the Seller maintains a Korean branch office with its place of business in Room 1131, Doosan Venturedigm 415, Heungan-daero, Dongan-gu, Anyang-si, Gyeonggi-do, 14059, Korea, which branch office provides sales, design, engineering and related services for the benefit of Buyer and its global customers (referred to herein as the “**VAST Korea Business**”).

WHEREAS, this Business Transfer Agreement, and the related agreements executed in connection herewith, are intended to result in the acquisition by Buyer of the VAST Korea Business and certain assets of Seller, subject to the terms and conditions set forth herein.

WHEREAS, on June 29, 2023 the Buyer and WITTE AUTOMOTIVE GMBH, a limited liability company incorporated under the laws of the Federal Republic of Germany (“**WITTE**”), have entered into an Equity Restructuring Agreement pursuant to which, *inter alia*, the Buyer and the Seller shall be obliged to enter into this Business Transfer Agreement (the “**Equity Restructuring Agreement**”).

NOW, THEREFORE, in consideration of the mutual benefits to be derived from this Business Transfer Agreement and the representations, warranties, conditions and promises hereinafter contained, the parties hereto hereby represent, warrant and agree as follows:

ARTICLE 1
DEFINITIONS

“**Action**” means any legal, administrative, arbitral, mediation or other alternative dispute resolution procedure having the effect of Law or binding upon a Party or other action, proceeding, claim, assessment, suit, charge, arbitration, audit, inquiry or similar investigation before any court, arbitrator or other Governmental Authority or quasi-Governmental Authority.

“**Affiliate**” means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such Person. For purposes of this definition, “control” of a Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person whether through ownership of voting securities or ownership interests, by Contract or otherwise.

“**ADAC Purchase Agreement**” means that certain sale and purchase agreement regarding the sale and purchase of the membership interests held by ADAC Plastics, Inc., a Michigan corporation, in the Seller by ADAC Plastics, Inc. to WITTE.

“**Assets**” has the meaning set forth in **Section 2.01**.

“**Assumed Liabilities**” has the meaning set forth in **Section 3.03**.

“**Basket**” has the meaning set forth in **Section 8.04(a)**.

“**Business Contract**” has the meaning set forth in **Section 2.01(c)**.

“**Business Day**” means a day other than Saturday, Sunday or any day on which banks located in the State of Wisconsin and the State of Delaware are authorized or obligated to close.

“**Business Transfer Agreement**” is defined in the preamble to this Business Transfer Agreement.

“**Buyer**” has the meaning set forth in the preamble.

“**Buyer Indemnitees**” has the meaning set forth in **Section 8.02**.

“**Cap**” has the meaning set forth in **Section 8.04(a)**.

“**Closing**” has the meaning set forth in **Section 4.01**.

“**Closing Date**” has the meaning set forth in **Section 4.01**.

“**Code**” means the United States Internal Revenue Code of 1986, as amended.

“**Contract**” means any written or oral contract, instrument, agreement, lease, sublease, easement, evidence of indebtedness, mortgage, license (other than Permits), sublicense, indenture, security agreement, grant agreement, incentive agreement, or any other legally binding understanding, commitment or other agreement.

“**Contracting Party**” has the meaning set forth in **Section 10.09**.

“**Contracts in Progress**” has the meaning set forth in **Section 2.01(h)**.

“**Direct Claim**” has the meaning set forth in **Section 8.05(c)**.

“**Dollars or \$**” means the lawful currency of the United States.

“**Documents**” has the meaning set forth in **Section 2.01(d)**.

“**Employees**” means those Persons employed by Seller in Korea and who worked exclusively for the VAST Korea Business.

“**Enforceability Exceptions**” has the meaning set forth in **Section 5.01**.

“Equity Restructuring Agreement” has the meaning set forth in the recitals.

“Excluded Assets” has the meaning set forth in **Section 2.02**.

“Excluded Business” has the meaning set forth in **Section 2.03**.

“Fraud” means any conduct or actions that constitute actual common law fraud under Delaware Law but for the avoidance of doubt, does not include constructive fraud or other claims based on constructive knowledge, negligent misrepresentation or similar theories.

“Fundamental Representations” means the representations and warranties in **Section 5.01, Section 5.02, Section 5.03, Section 6.01, and Section 6.02**.

“GAAP” means United States generally accepted accounting principles in effect from time to time, consistently applied by the applicable Person.

“Governmental Authority” means any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority exercising authority over an applicable Person, or any arbitrator or arbitral body (whether public or private), court or tribunal of competent jurisdiction.

“Goodwill and Other Property” has the meaning set forth in **Section 2.01(e)**.

“Governmental Order” means any order, writ, judgment, injunction, decision, decree, stipulation, determination, ruling, award, settlement or other agreement entered by or with any Governmental Authority.

“Indemnified Party” has the meaning set forth in **Section 8.05**.

“Indemnifying Party” has the meaning set forth in **Section 8.05**.

“Knowledge” means (a) as to Seller, the actual knowledge of Robert Meyer after reasonable inquiry and (b) as to Buyer, the actual knowledge of Frank Krejci, Al Hamdan and Dennis Bowe after reasonable inquiry.

“Korean Bank Account” has the meaning set forth in **Section 2.01(i)**.

“Law” means any statute, law (including common law), act, ordinance, regulation, rule, code, order, treaty, judgment, injunction, writ, ruling, decree, rule or any other requirement, criteria, or legally binding policy or guideline, enacted, issued, adopted, promulgated, enforced, ordered or applied by any Governmental Authority.

“Leased Premises” has the meaning set forth in **Section 2.01(a)**.

“Lien” shall mean any mortgage, deed of trust, lien (choate or inchoate), license, sublicense, pledge, charge, claim, option, right of first refusal, voting trust, proxy, security interest, assessment, reservation, assignment, hypothecation, defect in title, encroachment and other

burden, restrictive covenant, condition or restriction or easement or encumbrance of any kind, whether arising by Contract or under any applicable Laws and whether or not filed, recorded or otherwise perfected or effective under any applicable Laws, or any preference, priority or preferential arrangement of any kind or nature whatsoever including the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

“**Losses**” means losses, damages, obligations, assessments, settlement payments, liabilities, deficiencies, charges, Actions, judgments, interest, awards, Taxes, penalties, fines, costs or expenses of whatever kind, including reasonable attorneys’ fees and the reasonable cost of enforcing any right to indemnification hereunder; *provided, however*, that “**Losses**” shall not include consequential, incidental, special, exemplary or punitive damages, except to the extent actually awarded and payable to a Governmental Authority or other third party, or any damages based on or calculated by reference to a multiple of earnings, multiple of revenue or similar theory.

“**Non-Recourse Party**” has the meaning set forth in **Section 10.09**.

“**Organizational Documents**” means (a) in the case of a Person that is a corporation, its articles or certificate of incorporation and its by-laws, regulations, shareholder agreements or similar governing instruments; (b) in the case of a Person that is a partnership, its articles or certificate of partnership, formation or association, and its partnership agreement (in each case, limited, limited liability, general or otherwise); (c) in the case of a Person that is a limited liability company, its articles or certificate of formation or organization, and its limited liability company agreement or operating agreement; and (d) in the case of a Person that is not a corporation, partnership (limited, limited liability, general or otherwise), limited liability company or natural person, its organizational filings and governing Contracts.

“**Parties**” means Seller and Buyer.

“**Permits**” means any permit, license, approval, consent, order, registration, privilege, tariff, franchise, membership, certificate, certification, entitlement, exemption and other authorization, in each case issued by or under the authority of any Governmental Authority.

“**Permitted Liens**” means any (a) Lien for Taxes arising in the ordinary course of business not yet due and payable or that is being contested in good faith by appropriate proceedings and for which adequate reserves have been established on the financial statements of the applicable Person in accordance with GAAP; (b) mechanics’, materialmen’s, repairmen’s and other similar Liens arising in the ordinary course of business; (c) imperfections or irregularities of title that do not materially detract from the value of the affected property or materially impair the use of the affected property in the operation of the Business as currently conducted thereon; or (d) restrictions on transfer of the Assets under any applicable securities Law or any Organizational Document; or (e) pledges or deposits made to secure the applicable Person’s payment of worker’s compensation, unemployment insurance or other forms of governmental insurance or benefits or to participate in any fund in connection with worker’s compensation or unemployment insurance, in each case incurred in the ordinary course of business consistent with past practice; (f) the right, title or interest of any licensor, sublicensor, licensee, sublicensee, lessor or sublessor under any license or lease agreement or in property being leased or licensed pursuant to a Contract entered into in the ordinary course of business.

“**Person**” means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association, or other entity.

“**Personal Information Protection Act**” means the Personal Information Protection Act of Korea (Law No. 10465, 29 March 2011) as amended from time to time, and the rules, regulations and decrees promulgated thereunder.

“**Purchased Leasehold Interests**” has the meaning set forth in **Section 2.01(a)**.

“**Purchase Price**” has the meaning set forth in **ARTICLE 3**.

“**Representative**” means, with respect to any Person, any and all partners, directors, managing members, managers, officers, employees, independent contractors, consultants, financial advisors, counsel, accountants, agents, trustees and other representatives of such Person.

“**Seller Indemnitees**” has the meaning set forth in **Section 8.03**.

“**Seller**” has the meaning set forth in the preamble.

“**Subsequently Identified Korean Assets**” has the meaning set forth in **Section 2.04**.

“**Tangible Personal Property**” has the meaning set forth in **Section 2.02(b)**.

“**Tax Return**” means any return, declaration, report, claim for refund, information return, or statement or other document relating to Taxes, including any election, declaration, disclosure, estimate, schedule or attachment thereto, and including any amendment thereof.

“**Taxes**” means (a) all federal, state, local, foreign and other income, gross receipts, net proceeds, sales, use, production, ad valorem, transfer, franchise, registration, profits, license, lease, service, service use, withholding, payroll, employment, unemployment, estimated, excise, severance, environmental, stamp, occupation, premium, property (real or personal), real property gains, windfall profits, escheat or unclaimed property charges, utility, customs, duties or other taxes, fees, imposts, levies, assessments, impositions, escheatage or charges of any kind whatsoever, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties, and (b) any liability for the payment of, or in respect of, any amounts of the type described in clause (a) of this definition under Treasury Regulations Section 1.1502-6 or any comparable provisions of foreign, state or local Law, as a transferee or successor, by contract or assumption or otherwise.

“**Third Party Claim**” has the meaning set forth in **Section 8.05(a)**.

“**Transferred Employee**” has the meaning set forth in **Section 7.01(a)**.

“**True-Up Calculation**” has the meaning set forth in **Section 7.04**.

“**Value-Added Tax Act**” means the Value-Added Tax Act of Korea (Law No. 19194, 31 December 2022) as amended from time to time, and the rules, regulations and decrees promulgated thereunder.

“VAST Korea Business” has the meaning set forth in the recitals.

“WITTE” has the meaning set forth in the recitals.

ARTICLE 2
SALE OF ASSETS; ASSIGNMENT AND ASSUMPTION OF LIABILITIES

Section 2.01 Purchased Assets.

Effective at the close of business on the Closing Date, subject to the terms and conditions set forth in this Business Transfer Agreement, Seller will sell, convey, assign, transfer and deliver to Buyer, and Buyer will purchase from Seller, free and clear of all Liens, liabilities and claims of every kind (except for those Buyer agrees to assume pursuant to **Section 3.03** hereof and Permitted Liens), but subject to the limitations on Seller’s representations and warranties as set forth in this Business Transfer Agreement, the VAST Korea Business and all of the Seller’s assets and property exclusively related thereto or exclusively used therein as specified within this Business Transfer Agreement, except for the Excluded Assets (such purchased assets and VAST Korea Business collectively being referred to herein as the “**Assets**”), as enumerated below:

(a) Leasehold. All right, title and interest of Seller, as lessee, of the real property described in **Schedule 2.01(a)** (the “**Leased Premises**”), leased by the Seller and used by the VAST Korea Business (the “**Purchased Leasehold Interests**”).

(b) Tangible Personal Property. All of Seller’s equipment, work in progress, computer equipment and computer programs, furniture, fixtures and other tangible personal property, as more particularly identified on **Schedule 2.01(b)** (the “**Tangible Personal Property**”).

(c) Contracts and Warranty Obligations. All Seller’s rights under Contracts specifically and exclusively related to the VAST Korea Business, including commitments and other arrangements, and all of Seller’s right, title and interest in and to the warranty agreements and undertakings of entities that have supplied to Seller products, except to the extent related to any Excluded Assets (collectively the “**Business Contracts**”), as such Business Contracts are more specifically identified on **Schedule 2.01(c)**.

(d) Books and Records. All of Seller’s business records and files including, without limitation, sales information, advertising and marketing materials, supplier records, cost and pricing information, production data, employment and personnel records (except to the extent transfer is prohibited by applicable Law), accounting and credit records, correspondence, and other records specifically and exclusively related to or used in the VAST Korea Business (including those maintained in computer tapes, disks, or other computer retrievable format, and whether maintained by Seller or others) (the “**Documents**”); provided, however, that Seller may retain its tax returns and related work papers and any other records or documents required by applicable law to be retained by Seller (Seller shall deliver to Buyer complete and accurate copies of all such retained writings requested by Buyer), and Buyer shall (i) give Seller access to such records transferred to Buyer as reasonably may be required from time to time (a) to prepare its

income tax returns for its current taxable year, to respond to any audit by any taxing authority related to any tax returns of Seller, or (b) for other reasonable business purposes related to pre-Closing matters, and (ii) retain such records for at least six (6) years after Seller files its federal income tax return for its current taxable year.

(e) Goodwill and Other Property. All Seller's goodwill and going concern value of the VAST Korea Business, customer lists and related customer records and marketing, franchises and distribution rights (including without limitation, all rights under any franchise and/or distribution agreements), deposits on leases of equipment (to the extent such leases are transferred to Buyer), technical information, telephone numbers, rights, trade secrets, know-how, files, sales and other literature and other interests in property owned by Seller and specifically solely used in connection with, or solely related to the operation of, the VAST Korea Business or the Assets, including, but not limited to, such items that are more specifically set forth on **Schedule 2.01(e)** (the "**Goodwill and Other Property**").

(f) Licenses. To the extent assignable, all licenses, Permits, certificates of authority, authorizations, approvals, registrations, franchises, rights, orders and similar consents or certificates granted or issued by any Governmental Authority specifically and exclusively related to or exclusively used in the VAST Korea Business, all such items, whether assignable or not, being listed on **Schedule 2.01(f)**.

(g) Personal Property Leases. To the extent assignable, the leases of Tangible Personal Property specifically and exclusively related to or exclusively used in the VAST Korea Business listed on **Schedule 2.01(g)**, together with any options to purchase the underlying property (the "**Personal Property Leases**").

(h) Contracts in Progress. All of Seller's rights under agreements, whether written or oral, for the sale of goods or services by Seller specifically and exclusively related to the VAST Korea Business (the "**Contracts in Progress**") not completed at or before Closing, including all unbilled amounts, and deposits, set forth on **Schedule 2.01(h)**.

(i) Cash and Cash Equivalents. Subject to the settlement of any obligations of Seller to refund advance payments received from its cooperation partners for the expenses of the VAST Korea Business resulting from the True-Up Calculation as set forth in **Section 7.04**, all bank deposits on Seller's Korean bank accounts (Standard Chartered First Bank Pyeongchon Branch; SWIFT SCBLKRSE; and Post Bank Anyang Gwiin-dong Branch; SWIFT: SHBKKRSEPO) (collectively, the "**Korean Bank Account**"), in each case that are used exclusively in the VAST Korea Business. Seller shall cooperate with Buyer in transferring or assisting Buyer in establishing any bank accounts in Korea to take assignment of and the transfer of such cash to a Buyer designated bank account in Korea on or promptly following the Closing Date.

Section 2.02 Excluded Assets

Specifically excluded from the Assets sold and purchased pursuant hereto are the following assets and property of Seller (the "**Excluded Assets**"), and no other:

(a) The Purchase Price and Seller's other rights under this Business Transfer Agreement and under such other writings executed in connection herewith.

(b) Any Assets not specifically and exclusively related to the VAST Korea Business.

(c) Any document prepared by Seller for the purpose of the sale of the Assets, and any documents containing information about the VAST Korea Business which is combined or consolidated with other information of Seller.

(d) All Seller's privileged communications, oral or written, between Seller's members, officers, or employees, on the one hand, and Seller's attorneys (both inside and outside counsel) on the other hand. If any documents are inadvertently transferred to Buyer which contain such privileged communications or attorney work product, Buyer shall immediately return such documents to the Seller upon discovery and such inadvertent disclosure shall not be deemed to be a waiver of the attorney-client privilege or work product doctrine.

(e) Seller's corporate minute books and stock records.

(f) The corporate seals, organizational documents, minute books, stock books, Tax Returns, books of account or other records having to do with the corporate organization of Seller.

(g) All insurance policies of Seller and all rights to applicable claims and proceeds thereunder.

(h) All Tax assets (including duty and Tax refunds and prepayments) of Seller.

(i) Assets of Seller listed under **Section 2.01** to the extent used by Seller primarily in connection with the Excluded Business and not otherwise set forth on a Schedule referenced in **Section 2.01**.

Section 2.03 Excluded Business.

Specifically excluded from the VAST Korea Business sold and purchased pursuant hereto are Seller's services, contracts, intellectual property, and assets related to offices, branch offices of Seller and Seller's Affiliates that are located outside of Korea or which business is not otherwise part of the VAST Korea Business (collectively, the "**Excluded Business**").

Section 2.04 Subsequently Identified Korean Assets.

In case the Parties identify after the Closing Date any assets or property of Seller which are/is exclusively related to or exclusively used in the VAST Korea Business and are/is required to continue the VAST Korea Business as conducted in the last twelve (12) months prior to the Closing Date but have/has not been listed in any Schedule referenced in **Section 2.01** by mistake, except for any Excluded Assets (collectively, the "**Subsequently Identified Korean Assets**"), the

Parties shall cooperate in good faith in order to transfer such Subsequently Identified Korean Assets from Seller to Buyer in accordance with the general principles set forth in this Business Transfer Agreement.

ARTICLE 3 **CONSIDERATION**

Section 3.01 Purchase Price.

As consideration for the Assets sold and purchased pursuant hereto, Buyer shall pay to Seller, subject to the terms of this Business Transfer Agreement, the aggregate amount of \$663,000 (the “**Purchase Price**”) at the Closing by wire transfer of immediately available funds to the account designated by Seller to Buyer.

Section 3.02 Allocation; Tax Characterization.

Subject to applicable Tax law, the sum of the Purchase Price and the Assumed Liabilities shall be allocated among the Assets as shown on **Schedule 3.02** hereof. Seller and Buyer agree that they (i) will prepare and file their respective tax returns (including sales tax and transfer tax return), (ii) pay any taxes due and (iii) act in all other respects in a manner consistent with **Schedule 3.02**, except as required by a final determination of the relevant tax authorities.

Section 3.03 Liabilities.

Seller will also assign to Buyer and Buyer will assume and either pay in full at Closing or pay and satisfy as they become due (i) Seller’s obligations and liabilities arising and to be performed after the Closing Date under the Purchased Leasehold Interest, Contracts in Progress assigned to Buyer hereunder, Business Contracts or Personal Property Leases (but Buyer shall not assume or be responsible for any liability or obligation thereunder arising out of or in connection with the breach, nonperformance, defective or improper performance or other default or violation by Seller or for any negligent actions or omissions by Seller occurring on or prior to the Closing under any such assumed Contracts) assigned to Buyer pursuant hereto, (ii) except as specifically provided in **Section 7.01**, all liabilities and obligations of Seller or its Affiliates relating to employee benefits, compensation or other arrangements with respect to any Transferred Employee, and (iii) all further obligations and liabilities of Seller exclusively related to the VAST Korea Business (each only to the extent incurred in the ordinary course of Seller’s business prior to Closing) (the “**Assumed Liabilities**”). **Schedule 3.03** shall set forth the Assumed Liabilities, as of the Closing, to Seller’s Knowledge.

ARTICLE 4 **CLOSING**

Section 4.01 The Closing.

Subject to the terms and conditions of this Business Transfer Agreement, the transactions contemplated hereby shall take place at a closing (the “**Closing**”) to be held at 9:00 a.m. Eastern Time no later than two (2) Business Days after the last of the conditions to closing set forth in

Section 4.03 have been satisfied or waived (other than conditions which, by their nature, are to be satisfied on the Closing Date), but in any event following the closing of the transactions contemplated by the ADAC Purchase Agreement and the Equity Restructuring Agreement, remotely by exchange of documents and signatures (or their electronic counterparts), or at such other time or on such other date or at such other place as the Parties may mutually agree upon in writing, but in any event not prior to June 30, 2023 (the day on which the Closing takes place being the “**Closing Date**”).

Section 4.02 Transactions to be Effected at the Closing.

At the Closing:

(a) Seller shall execute and deliver a Bill of Sale conveying the Assets to Buyer substantially in the form attached hereto as **Exhibit A**, and such other instruments of transfer as shall in the reasonable opinion of Buyer be effective to vest in Buyer good and marketable title to the Assets being sold and purchased hereunder.

(b) Buyer and Seller shall execute and deliver an Assignment and Assumption Agreement in which Seller assigns to Buyer, and Buyer assumes from Seller, (i) the Purchased Leasehold Interests, (ii) Business Contracts, and (iii) Contracts in Progress and Personal Property Leases, to the extent included in the Assets, and the Assumed Liabilities, substantially in the form attached hereto as **Exhibit B**.

Section 4.03 Closing Conditions.

(a) Conditions to Obligations of All Parties. The obligations of each Party to consummate the transactions contemplated by this Business Transfer Agreement shall be subject to the fulfillment, at or prior to the Closing but not later than June 30, 2023, of each of the following conditions:

(i) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Governmental Order which is in effect and has the effect of making the transactions contemplated by this Business Transfer Agreement illegal, otherwise restraining or prohibiting consummation of such transactions or causing any of the transactions contemplated hereunder to be rescinded following completion thereof.

(ii) The transactions contemplated by the Equity Restructuring Agreement shall have been consummated.

(iii) The transactions contemplated by the ADAC Purchase Agreement shall have been consummated.

(b) Obligation of Buyer to Close. The obligation of Buyer to consummate the purchase of the Assets and the assumption of the Assumed Liabilities on the Closing Date shall be subject to the satisfaction or the waiver by Buyer at or prior to the Closing but not later than June 30, 2023, of the following conditions:

(i) The representations and warranties of Seller contained in this Business Transfer Agreement and any certificate or other writing delivered pursuant hereto shall have been true and correct on the date hereof and shall be true and correct in all respects on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date).

(ii) Seller shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Business Transfer Agreement to be performed or complied with by it prior to or on the Closing Date.

(iii) No injunction or restraining order shall have been issued by any Governmental Authority, and be in effect, which restrains or prohibits the transactions contemplated hereby.

(iv) Seller shall have delivered to Buyer each of the instruments utilized to assign the Assets or assume the Assumed Liabilities, executed by Seller, and such other agreements, certificates and other documents as are contemplated by this Business Transfer Agreement or as are reasonably necessary to complete the transactions contemplated herein.

(c) Obligation of Seller to Close. The obligation of Seller to consummate the purchase of the Assets and the assumption of the Assumed Liabilities on the Closing Date shall be subject to the satisfaction or the waiver by Seller of the following conditions on or prior to the Closing Date:

(i) The representations and warranties of Buyer contained in this Business Transfer Agreement and any certificate or other writing delivered pursuant hereto shall have been true and correct in all respects on and as of the date hereof and shall be true and correct in all respects on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date).

(ii) Buyer shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Business Transfer Agreement to be performed or complied with by it prior to or on the Closing Date.

(iii) No injunction or restraining order shall have been issued by any Governmental Authority, and be in effect, which restrains or prohibits the transactions contemplated hereby.

(iv) Buyer shall have executed and delivered to Seller the Assignment and Assumption Agreement pursuant to **Section 4.02(b)** hereof.

(v) Seller shall have delivered to Buyer each of the agreements, certificates and other documents as are contemplated by this Asset Purchase Agreement or as are reasonably necessary to complete the transactions contemplated herein.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer as of the date hereof and as of the Closing, subject to the Seller disclosure schedule attached hereto, as follows:

Section 5.01 Organization and Authority of Seller.

Seller is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization. Seller has full requisite power and authority to enter into this Business Transfer Agreement, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery by Seller of this Business Transfer Agreement, the performance by Seller of its obligations hereunder, and the consummation by Seller of the transactions contemplated hereby have been duly authorized by all requisite action on the part of Seller. This Business Transfer Agreement has been duly executed and delivered by Seller, and (assuming due authorization, execution, and delivery by Buyer) this Business Transfer Agreement constitutes a legal, valid and binding obligation of Seller enforceable against Seller in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, arrangement, moratorium or other similar Laws relating to or affecting the rights of creditors generally, or by general equitable principles (collectively, the “**Enforceability Exceptions**”). When each ancillary agreement to this Business Transfer Agreement to which Seller is or will be a party has been duly executed and delivered by Seller (assuming due authorization, execution, and delivery by each other party thereto), such ancillary agreement will constitute a legal and binding obligation of Seller enforceable against it in accordance with its terms, subject to the Enforceability Exceptions.

Section 5.02 Title to Assets.

Seller has good and valid title to all of the Assets, subject to no Liens except liens identified on **Schedule 5.02** attached hereto (all of which are either expressly identified as Permitted Liens on such schedule or will be satisfied at or prior to Closing), and Seller has the power and authority to transfer, assign and convey to Buyer pursuant hereto the title of Seller to such Assets. Upon the sale, assignment, transfer and conveyance by Seller of the Assets to Buyer hereunder, Buyer will have good and marketable title to all the Assets, free and clear of all Liens (except as may be caused by Buyer’s own actions).

Section 5.03 No Conflicts; Consents.

Except for required third parties’ consents set forth on **Schedule 5.03** which will be obtained by Seller prior to Closing or waived by Buyer, the execution, delivery and performance by Seller of this Business Transfer Agreement, and the consummation of the transactions contemplated hereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the Organizational Documents of Seller; (b) conflict with or result

in a violation or breach of any provision of any Law or Governmental Order applicable to the Seller; (c) require the consent, notice or other action by any Person under, conflict with, result in a violation or breach of, constitute a default or an event that, with or without notice or lapse of time or both, would constitute a default under, result in the acceleration of or create in any party the right to accelerate, terminate, modify or cancel any Contract relating to the Assets to which Seller is a party, or by which Seller is bound, or (d) result in the creation or imposition of any Lien other than Permitted Liens on the Assets.

Section 5.04 Legal Proceedings; Governmental Orders.

There is no Action pending, settled, or to Seller's Knowledge, threatened that challenges the legality, validity or enforceability of this Business Transfer Agreement.

Section 5.05 No Other Representations and Warranties.

Except for the representations and warranties contained in **ARTICLE 5**, neither the Seller nor any other Person has made or makes any other express or implied representation or warranty, either written or oral, on behalf of the Seller or any other representation or warranty of any kind, express or implied, arising under any law.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as of the date hereof and as of the Closing, as follows:

Section 6.01 Organization and Authority of Buyer.

Buyer is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization. Buyer has full corporate power and authority to enter into this Business Transfer Agreement, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery by Buyer of this Business Transfer Agreement, the performance by Buyer of its obligations hereunder and the consummation by Buyer of the transactions contemplated hereby have been duly authorized by all requisite action on the part of Buyer. This Business Transfer Agreement has been duly executed and delivered by Buyer, and (assuming due authorization, execution, and delivery by each other Party) this Business Transfer Agreement constitutes a legal, valid, and binding obligation of Buyer enforceable against Buyer in accordance with its terms, subject to the Enforceability Exceptions. When each ancillary agreement to this Business Transfer Agreement to which Buyer is or will be a party has been duly executed and delivered by Buyer (assuming due authorization, execution and delivery by each other party thereto), such ancillary agreement will constitute a legal and binding obligation of Buyer enforceable against it in accordance with its terms, subject to the Enforceability Exceptions.

Section 6.02 No Conflicts; Consents.

The execution, delivery and performance by Buyer of this Business Transfer Agreement, and the consummation of the transactions contemplated hereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the Organizational

Documents of Buyer; (b) conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to Buyer; or (c) require the consent, notice or other action by any Person under any Contract to which Buyer is a party. No consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Buyer in connection with the execution and delivery of this Asset Purchase and the consummation of the transactions contemplated hereby.

Section 6.03 Legal Proceedings.

There are no Actions pending or, to Buyer's Knowledge, threatened against or by Buyer or any Affiliate of Buyer that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Business Transfer Agreement. To Buyer's Knowledge, no event has occurred, or circumstances exist that may give rise or serve as a basis for any such Action.

Section 6.04 No Other Representations and Warranties.

Except for the representations and warranties contained in **ARTICLE 6**, neither the Buyer nor any other person has made or makes any other express or implied representation or warranty, either written or oral, on behalf of the Buyer or any other representation or warranty of any kind, express or implied, arising under any law.

ARTICLE 7 **COVENANTS**

Section 7.01 Employees.

(a) Subject to Buyer's customary screening and conditions to employment and applicable provisions of Law, effective from and after the Closing, all Employees, including Employees who are absent due to vacation, family leave, short-term disability or other approved leave of absence (the Employees who accept such employment and commence employment on the Closing Date, the "**Transferred Employees**") shall be comprehensively transferred to Buyer and Transferred Employee become an employee of the Buyer. Seller will provide Buyer with commercially reasonable assistance in the conduct of the transfer.

(b) Unless otherwise provided for in this Agreement, Buyer shall retain all of its rights and obligations in connection with employment of the Employees accrued prior to the Closing Date, including liability for any severance pay which may become due. Buyer shall, or shall cause an Affiliate of Buyer to, provide each Transferred Employee with: (i) base salary or hourly wages which are no less than the base salary or hourly wages provided by Seller immediately prior to the Closing; (ii) target bonus opportunities (excluding equity-based compensation), if any, which are no less than the target bonus opportunities (excluding equity-based compensation) provided by Seller immediately prior to the Closing; (iii) retirement and welfare benefits that are no less favorable in the aggregate than those provided by Seller immediately prior to the Closing; and (iv) severance benefits that are no less favorable than the practice, plan or policy in effect for such Transferred Employee immediately prior to the Closing.

(c) Buyer and Seller intend that the transactions contemplated by this Business Transfer Agreement should not constitute a separation, termination or severance of employment of any Employee who accepts an employment offer by Buyer that is consistent with the requirements of **Section 7.01(b)** and that each such Employee will have continuous employment immediately before and immediately after the Closing. Buyer shall be liable and hold the Seller harmless for: (i) any statutory, common law, contractual or other severance with respect to any Employee, other than a Transferred Employee; and (ii) any claims relating to the employment of any Transferred Employee with Buyer arising in connection with or following the Closing. Buyer and Seller shall execute the tripartite employment transfer agreement substantially in the form of Exhibit C before or on the Closing Date.

(d) This **Section 7.01** shall be binding upon and inure solely to the benefit of each of the parties to this Business Transfer Agreement, and nothing in this **Section 7.01**, express or implied, shall confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this **Section 7.01**. Nothing contained herein, express or implied, shall be construed to establish, amend or modify any benefit plan, program, agreement or arrangement. The parties hereto acknowledge and agree that the terms set forth in this **Section 7.01** shall not create any right in any other Person to any continued employment with Buyer or any of its Affiliates or compensation or benefits of any nature or kind whatsoever.

Section 7.02 Demand for Services of the VAST Korea Business.

From the Closing Date and for a period of three years following the Closing Date, the Seller shall be permitted to demand such customary and reasonable services from the VAST Korea Business that are substantially similar to the type and scope of services provided by the VAST Korea Business to Seller during the twenty-four (24) month period immediately preceding the date hereof. Such services shall be provided on the terms and conditions as applicable on the date hereof, provided that the services shall be charged on an expense basis and the Seller shall not be obliged to make any prepayments for such services. For the avoidance of doubt, this **Section 7.02** does not constitute any obligation of the Seller to direct customer business to the VAST Korea Business.

Section 7.03 Buyer Acting as Agent for Seller.

In the event that an attempted assignment to Buyer of a certain Contract or Contracts in Progress, in each case related to the VAST Korea Business, without prior consent of the other party thereto would constitute a breach thereof or in any way affect the rights of Seller thereunder, and such consent is not obtained, or an assignment of such Contract or Contracts in Progress is otherwise ineffective or in any way affect the rights of Seller thereunder, so that Buyer would not in fact receive all such rights, then such Contract or Contracts in Progress, as the case may be, shall be deemed not to have been assigned hereby and, at Buyer's reasonable discretion, in lieu of satisfaction of Seller's obligation to assign to Buyer such Contract or Contracts in Progress, Buyer shall act as Seller's agent in order to obtain for the Buyer the benefits thereunder, and, upon Buyer's reasonable request, Seller shall cooperate with Buyer in any reasonable arrangement to obtain for Buyer the benefits thereunder.

Section 7.04 Final True-Up Calculation on Advance Payments made for Expenses of the VAST Korea Business.

At the end of the second quarter of 2023 and promptly following the Closing, Buyer shall, in accordance with the existing procedures, provide a final true-up calculation comparing the advance payments made by the Seller's cooperation partners for the expected expenses of the VAST Korea Business in the second quarter of 2023 (either by payment to the Korean Bank Account or by set-off against any refund claims with respect to advance payments previously made and not yet consummated) with the actual expenses of the VAST Korea Business in the second quarter of 2023 (the "**True-Up Calculation**"). Seller shall provide all necessary support that Buyer requires to provide the True-Up Calculation. In case the True-Up Calculation shows that the advance payments made by the Seller's cooperation partners for the expected expenses of the VAST Korea Business in the second quarter of 2023 are not equal to the actual expenses of the VAST Korea Business in the second quarter of 2023, Buyer shall (as an Assumed Liability of Seller) refund any overpaid amounts to the respective cooperation partners (as the case may be) in accordance with the existing allocation mechanics and it shall turn over to Seller any amounts received from the cooperation partners for any such underpaid amounts.

ARTICLE 8 INDEMNIFICATION

Section 8.01 Survival.

Subject to the limitations and other provisions of this Business Transfer Agreement, and other than in the event of a Party's Fraud or willful or intentional misconduct, (a) the Fundamental Representations shall survive shall survive the Closing and shall remain in full force and effect for five (5) years from the Closing Date, and (b) all other representations and warranties shall survive the Closing and remain in full force and effect until the date that is eighteen (18) months from the Closing Date. All covenants and agreements of the parties contained herein that require performance after Closing shall survive the Closing until fully performed. Notwithstanding the foregoing, each representation, warranty or covenant that would otherwise terminate in accordance with this **Section 8.01** shall continue to survive if a notice of claim in respect thereof shall have been timely given in accordance with **Section 8.05** on or prior to such time until the related claim shall have been fully satisfied or otherwise resolved as provided herein.

Section 8.02 Indemnification By Seller.

Subject to the other terms and conditions of this **ARTICLE 8** and the limitations set forth in Section 7.01(d) of the Equity Restructuring Agreement, Seller shall indemnify and defend each of Buyer and its Affiliates and their respective Representatives (collectively, the "**Buyer Indemnitees**") against, and shall hold each of them harmless from and against, and shall pay and reimburse each of them for, any and all Losses incurred or sustained by, or imposed upon, the Buyer Indemnitees based upon, arising out of, with respect to or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of the Seller contained in this Business Transfer Agreement or in any certificate or instrument delivered by or on behalf of the Seller pursuant to this Business Transfer Agreement, as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date (except for representations and warranties that expressly relate to a specified date, the inaccuracy in or breach of which will be determined with reference to such specified date);

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by the Seller pursuant to this Business Transfer Agreement; or

(c) any Excluded Asset or any liability or obligation of Seller related to the operation of the Excluded Business or any liability or obligation of Seller other than the Assumed Liabilities.

Section 8.03 Indemnification By Buyer.

Subject to the other terms and conditions of this **ARTICLE 8**, Buyer shall indemnify and defend the Seller and its Affiliates (collectively, the “**Seller Indemnitees**”) against, and shall hold each of them harmless from and against, and shall pay and reimburse each of them for, any and all Losses incurred or sustained by, or imposed upon, the Seller Indemnitees based upon, arising out of, with respect to or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of Buyer contained in this Business Transfer Agreement or in any certificate or instrument delivered by or on behalf of Buyer pursuant to this Business Transfer Agreement, as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date (except for representations and warranties that expressly relate to a specified date, the inaccuracy in or breach of which will be determined with reference to such specified date);

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Buyer pursuant to this Business Transfer Agreement;

(c) the operation of the VAST Korea Business after the Closing Date (other than Losses assumed by Seller herein or with respect to which the Seller is obligated to indemnify the Buyer); or

(d) the Assumed Liabilities.

Section 8.04 Certain Limitations.

The indemnification provided for in **Section 8.02** and **Section 8.03** shall be subject to the following limitations:

(a) Seller shall not be required to indemnify the Buyer Indemnitees for any Losses pursuant to **Section 8.02** until the aggregate amount of all such Losses exceeds \$50,000

(the “**Basket**”), it being understood that if the Basket is exceeded, Buyer shall be entitled to claim the full amount (including the Basket) (*tipping basket*).

(b) The aggregate amount of all Losses for which the Seller shall be liable pursuant to **Section 8.02** shall not exceed the Purchase Price (the “**Cap**”).

(c) The aggregate amount of all Losses for which Buyer shall be liable pursuant to **Section 8.03** shall not exceed the Cap.

(d) Notwithstanding the foregoing, the limitations set forth in **Section 8.04(a)** and **Section 8.04(c)** shall not apply to Losses based upon, arising out of, with respect to or by reason of: (i) any inaccuracy in or breach of any Fundamental Representation; (ii) any breach or nonfulfillment of any post-Closing covenant (including, for the avoidance of doubt, those set forth in the Exhibits to this Business Transfer Agreement); or (iv) Fraud committed by the applicable Party.

(e) Nothing set forth under this **ARTICLE 8** shall be construed to contractually eliminate any duty that any Indemnified Party may have under common law to mitigate such party’s Losses.

(f) Neither Seller nor Buyer shall have liability for Losses to the extent that any insurance proceeds have actually been received to reimburse an Indemnified Party for such Loss. Buyer and Seller shall fully cooperate and use commercially reasonable efforts to file and pursue claims for any reasonably available insurance coverage amount for the reimbursement of any Losses sustained by either Party.

Section 8.05 Indemnification Procedures.

The Party making a claim under this **ARTICLE 8** is referred to as the “**Indemnified Party,**” and the Party against whom such claims are asserted under this **ARTICLE 8** is referred to as the “**Indemnifying Party**”.

(a) Third Party Claims. If any Indemnified Party receives notice of the assertion or commencement of any Action made or brought by any Person who is not a party to this Business Transfer Agreement or an Affiliate of a Party to this Business Transfer Agreement or a Representative of the foregoing (a “**Third Party Claim**”) against such Indemnified Party with respect to which the Indemnifying Party is obligated to provide indemnification under this Business Transfer Agreement, the Indemnified Party shall give the Indemnifying Party reasonably prompt written notice thereof, but in any event not later than 30 days after receipt of such notice of such Third Party Claim. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except to the extent that an Indemnifying Party is actually and materially prejudiced thereby, and then only to the extent of the damages caused to the Indemnifying Party due to such prejudice. Such notice by the Indemnified Party shall describe the Third Party Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have the right to

participate in, or by giving written notice to the Indemnified Party, to assume the defense of any Third Party Claim at the Indemnifying Party's expense and by the Indemnifying Party's own counsel, and the Indemnified Party shall cooperate in good faith in such defense; *provided*, that if the Indemnifying Party is the Seller, such Indemnifying Party shall not have the right to defend or direct the defense of any such Third Party Claim that (i) relates to or arises in connection with any criminal proceeding, (ii) seeks an injunction or other equitable relief against the Indemnified Party, (iii) the Losses resulting from such claim could reasonably be expected to exceed the remaining amount of indemnification available to the Indemnified Party under this Business Transfer Agreement, or (iv) in the judgment of the Indemnified Party's counsel, a conflict of interest between the Indemnified Parties and the Indemnifying Party exists as a result of such claim. In the event that the Indemnifying Party assumes the defense of any Third Party Claim, subject to **Section 8.05(b)**, it shall have the right to take such action as it deems reasonable to avoid, dispute, defend, appeal or make counterclaims pertaining to any such Third Party Claim in the name and on behalf of the Indemnified Party. The Indemnified Party shall have the right to participate in the defense of any Third Party Claim with counsel selected by it subject to the Indemnifying Party's right to control the defense thereof. The fees and disbursements of such counsel shall be at the expense of the Indemnified Party, *provided*, that if in the reasonable opinion of counsel to the Indemnified Party, (A) there are legal defenses available to an Indemnified Party that are different from or additional to those available to the Indemnifying Party; or (B) there exists a conflict of interest between the Indemnifying Party and the Indemnified Party that cannot be waived, the Indemnifying Party shall be liable for the reasonable fees and expenses of counsel to the Indemnified Party in each jurisdiction for which the Indemnified Party reasonably determines counsel is required. If the Indemnifying Party elects not to compromise or defend such Third Party Claim, fails to promptly notify the Indemnified Party in writing of its election to defend as provided in this Business Transfer Agreement, or fails to diligently prosecute the defense of such Third Party Claim, the Indemnified Party may, subject to **Section 8.05(b)**, pay, compromise, defend such Third Party Claim and seek indemnification (to the extent such Third Party Claim involves a matter covered by the applicable Indemnifying Party's indemnification obligations set forth herein, as applicable) for any and all Losses based upon, arising from or relating to such Third Party Claim. The Seller and Buyer shall cooperate with each other in all reasonable respects in connection with the defense of any Third Party Claim, including making available records relating to such Third Party Claim and furnishing, without expense (other than reimbursement of actual out-of-pocket expenses) to the defending party, management employees of the non-defending party as may be reasonably necessary for the preparation of the defense of such Third Party Claim.

(b) Settlement of Third Party Claims. Notwithstanding any other provision of this Business Transfer Agreement, the Indemnifying Party shall not enter into settlement of any Third Party Claim without the prior written consent of the Indemnified Party (which shall not be unreasonably withheld, conditioned or delayed), except as provided in this **Section 8.05(b)**. If a firm offer is made to settle a Third Party Claim (A) without an admission of wrongdoing, (B) without leading to liability or the creation of a financial or other obligation on the part of the Indemnified Party, and (C) provides, in customary form, for the full and unconditional release of each Indemnified Party from all liabilities and

obligations in connection with such Third Party Claim and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party shall give written notice to that effect to the Indemnified Party. If the Indemnified Party fails to consent to such firm offer within 10 days after its receipt of such notice, the Indemnified Party may continue to contest or defend such Third Party Claim and, in such event, the maximum liability of the Indemnifying Party as to such Third Party Claim shall not exceed the amount of such settlement offer. If the Indemnified Party fails to consent to such firm offer and fails to assume defense of such Third Party Claim, the Indemnifying Party may settle the Third Party Claim upon the terms set forth in such firm offer to settle such Third Party Claim. If the Indemnified Party has assumed the defense pursuant to **Section 8.05(b)**, it shall not agree to any settlement without the written consent of the Indemnifying Party (which consent shall not be unreasonably withheld, conditioned or delayed).

(c) **Direct Claims.** Any Action by an Indemnified Party on account of a Loss which does not result from a Third Party Claim (a “**Direct Claim**”) shall be asserted by the Indemnified Party giving the Indemnifying Party reasonably prompt written notice thereof, but in any event not later than 60 days after the Indemnified Party becomes aware of such Direct Claim. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except to the extent that an Indemnifying Party is actually and materially prejudiced thereby, and then only to the extent of the damages caused to the Indemnifying Party due to such prejudice. Such notice by the Indemnified Party shall describe the Direct Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have 30 days after its receipt of such notice to respond in writing to such Direct Claim. The Indemnified Party shall allow the Indemnifying Party and its professional advisors to investigate the matter or circumstance alleged to give rise to the Direct Claim, and whether and to what extent any amount is payable in respect of the Direct Claim and the Indemnified Party shall reasonably assist the Indemnifying Party’s investigation by giving such information and assistance (including access to VAST Korea’s premises and personnel and the right to examine and copy any accounts, documents or records) as the Indemnifying Party or any of its professional advisors may reasonably request. If the Indemnifying Party does not so respond within such 30-day period, the Indemnifying Party shall be deemed to have rejected such claim, in which case the Indemnified Party shall be free to pursue such remedies as may be available to the Indemnified Party on the terms and subject to the provisions of this Business Transfer Agreement.

Section 8.06 Tax Treatment of Indemnification Payments.

All indemnification payments made under this Business Transfer Agreement, shall be treated by the parties as an adjustment to the Purchase Price for Tax purposes, unless otherwise required by Law.

Section 8.07 Exclusive Remedies.

The Parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims (other than claims arising from a Party's Fraud or willful or intentional misconduct on the part of a Party in connection with the transactions contemplated by this Business Transfer Agreement) for any breach of any representation, warranty, covenant, agreement or obligation set forth in this Business Transfer Agreement, shall be pursuant to the indemnification provisions set forth in this **ARTICLE 8**, and each Party hereby waives any and all rights, claims and causes of action for any breach of any representation, warranty, covenant, agreement or obligation set forth in this Business Transfer Agreement, except pursuant to the indemnification provisions set forth in indemnification provisions set forth in this **ARTICLE 8**. Nothing in this Business Transfer Agreement shall limit any Person's right to seek and obtain any equitable relief to which any Person shall be entitled or to seek any remedy on account of any Party's Fraud or willful or intentional misconduct.

ARTICLE 9 TAX MATTERS

Section 9.01 Transfer Taxes.

Except as otherwise provided herein, Buyer, on the one hand, and Seller, on the other hand, agree to each bear their own expenses, fees, and costs in connection with the transactions contemplated by this Agreement; provided, however, all transfer, documentary, sales, use, stamp, registration, recording and other such similar Taxes, and all conveyance fees, recording charges and other charges and fees (including any penalties and interest) incurred in connection with consummation of the transactions contemplated by this Agreement ("**Transfer Taxes**") shall be paid by the Party that is legally responsible for paying such Transfer Taxes; provided that – to the extent required by law – Buyer shall VAT chargeable in connection with the transfer of Assets under this Agreement in accordance with Article 52(4) of the Korean Value Added Tax Act. The Parties will timely file all necessary Tax Returns and other documentation with respect to all such Transfer Taxes. If, and to the extent, a Party is required by Law to file Tax Returns and other documentation relating to such Transfer Taxes, then the Party will timely file such Tax Returns and other documentation. If a Party pays a Transfer Tax at the Closing or pursuant to a post-Closing assessment by a Taxing Authority in excess of its portion hereunder, then the other Party will reimburse such Party for such Transfer Taxes (including any penalties, interest and late filing charges) that are the responsibility of the other Party hereunder within ten (10) business days of payment by such Party of the same.

Section 9.02 Cooperation; Audits.

In connection with the preparation of Tax Returns, audit examinations and any administrative or judicial proceedings relating to the Tax liabilities or any other regulatory matter related to the payment of the Purchase Price in connection with all of the transactions contemplated hereby and by the Equity Restructuring Agreement imposed on Seller, the Assets or the VAST Korea Business, Buyer, on the one hand, and Seller, on the other hand, will cooperate fully with each other, including the furnishing or making available during normal business hours of records, personnel (as reasonably required), books of account, powers of attorney or other materials

reasonably necessary or helpful for the preparation of such Tax Returns, the conduct of audit examinations or the defense of claims by Taxing Authorities or other regulatory authorities as to the imposition of Taxes or other matters related to the transactions contemplated hereby; except, that, (a) the provision of any information or access pursuant to this Section 9.02 will be subject to appropriate confidentiality undertakings and, if applicable, execution of customary release letters in favor of the auditors as requested by the auditors in connection with the sharing of work papers and (b) nothing in this Section 9.02 will require either Party to disclose information that is subject to attorney-client privilege.

ARTICLE 10
MISCELLANEOUS

Section 10.01 Expenses.

Except as otherwise expressly provided herein, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Business Transfer Agreement and the transactions contemplated hereby shall be paid by the Party incurring such costs and expenses.

Section 10.02 Notices.

All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by e-mail of a PDF document (with no evidence of failed transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this **Section 10.02**):

If to the Seller:

Vehicle Access Systems Technology LLC
c/o WITTE Automotive GmbH
Höferstr. 3-15
42551 Velbert, Germany
Attention: Rainer Gölz, Chief Executive Officer
Email: rainer.goelz@witte-automotive.de

with copy (which shall
not constitute notice) to:

McDermott Will & Emery LLP
Stadttor 1
40219 Düsseldorf, Germany
Attention: Dr. Matthias Kampshoff
Email: mkampshoff@mwe.com

If to Buyer:

STRATTEC SECURITY CORPORATION
3333 West Good Hope Road
Milwaukee, Wisconsin 53209
Attention: Frank J. Krejci, President and CEO
Email: fkrejci@strattec.com

with copy (which shall
not constitute notice) to:

Reinhart Boerner Van Deuren s.c.
N16 W23250 Stone Ridge Drive, Suite 1
Waukesha, WI 53188
Attention: Eric P. Hagemeyer
E-mail: ehagemeyer@reinhartlaw.com

Section 10.03 Interpretation.

For purposes of this Business Transfer Agreement, (a) the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation”; (b) the word “or” is not exclusive and has the inclusive meaning “and/or”; (c) the words “this Business Transfer Agreement,” “herein,” “hereof,” “hereby,” “hereto” and “hereunder” and words of similar import refer to this Business Transfer Agreement as a whole and not to any particular clause or other subdivision thereof unless expressly so limited, and the words “this Section,” “this clause,” and words of similar import, refer only to the Section, clause or other subdivision hereof in which such words occur; (d) the words “furnished,” “made available to Buyer” or words of similar import mean that all such documents have been provided to another party at least two Business Days prior to the Closing; (e) the phrases “ordinary course” or “ordinary course of business” when used with respect to any Person means taking or refraining to take any action, if such action by such Person is (i) consistent in all material respects with the past practices of such Person and is taken in the ordinary course of the operations of such Person and in accordance with applicable Law or (ii) consistent in all material respects with the then-current ordinary course operations of similarly situated Persons operating in the industries and markets in which the such Person operates, solely to the extent that any such action is taken in response to required or recommended quarantines, shutdowns, interruptions, travel restrictions, or similar guidelines, in each case, issued by a Governmental Authority or related to or resulting from any epidemic, pandemic or other public health emergency is inconsistent in any material respect with past practices of such Person or its ordinary course operation; (f) pronouns in masculine, feminine or neuter genders shall be construed to include any other gender, and words, terms and titles (including terms defined herein) in the singular form shall be construed to include the plural and vice versa, in each case, unless the context otherwise requires; and (g) except as expressly provided otherwise herein, all accounting terms used but not defined herein shall have the meanings given to them under GAAP. Unless the context otherwise requires, references herein: (x) to Articles, Sections, Schedules and Exhibits mean the Articles and Sections of, and Schedules and Exhibits attached to, this Business Transfer Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Business Transfer Agreement shall be construed without regard to any presumption or rule

requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The Schedules and Exhibits referred to herein shall be construed with, and as an integral part of, this Business Transfer Agreement to the same extent as if they were set forth verbatim herein.

Section 10.04 Headings.

The headings in this Business Transfer Agreement are for reference only and shall not affect the interpretation of this Business Transfer Agreement.

Section 10.05 Severability.

If any term or provision of this Business Transfer Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Business Transfer Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Buyer and Seller shall negotiate in good faith to modify this Business Transfer Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 10.06 Entire Agreement.

This Business Transfer Agreement constitutes the sole and entire agreement of the parties to this Business Transfer Agreement with respect to the subject matter contained herein and therein, and supersedes all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Business Transfer Agreement, the Exhibits and Schedules, the statements in the body of this Business Transfer Agreement will control.

Section 10.07 Successors and Assigns.

This Business Transfer Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assigns. No Party may assign its rights or obligations hereunder without the prior written consent of the other Parties, which consent shall not be unreasonably withheld, conditioned or delayed, provided, however, that the Seller is entitled to assign its Purchase Price payment claim hereunder to WITTE Automotive GmbH . No assignment shall relieve the assigning Party of any of its obligations hereunder.

Section 10.08 No Third-Party Beneficiaries.

Except as provided in **ARTICLE 8** and **Section 10.09**, this Business Transfer Agreement is for the sole benefit of the Parties and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Business Transfer Agreement.

Section 10.09 No Recourse.

All causes of Action (whether in contract or in tort, in equity or at law, or granted by statute) that may be based upon, in respect of, arise under, out or by reason of, be connected with, or relate in any manner to this Business Transfer Agreement, or the negotiation, preparation, execution, delivery, performance or breach of this Business Transfer Agreement (including any representation or warranty made in, in connection with, or as an inducement to, this Business Transfer Agreement), may be brought only against (and are those solely of) the Persons that are expressly identified as Parties in the preamble of this Business Transfer Agreement or that execute and deliver this Business Transfer Agreement (each, a “**Contracting Party**”). No Person who is not a Contracting Party, including any past, present or future direct or indirect equity holder, Affiliate or Representative of such Contracting Party or any Affiliate or Representative of any of the foregoing (the “**Non-Recourse Party**”), shall have any liability or other obligation (whether in contract or in tort, in equity or at law, or granted by statute) for any cause of Action arising under, out of, in connection with, or related in any manner to this Business Transfer Agreement or based on, in respect of, or by reason of this Business Transfer Agreement or its negotiation, preparation, execution, delivery, performance, or breach; and, to the maximum extent permitted by applicable Law, each Contracting Party hereby waives and releases all such causes of Action against any such Non-Recourse Party. Without limiting the generality of the foregoing, to the maximum extent permitted by applicable Law: (a) each Contracting Party hereby waives and releases any and all causes of Action that may otherwise be brought in equity or at law, or granted by statute, to avoid or disregard the entity form of a Contracting Party or otherwise impose liability or other obligation of any Contracting Party on any Non-Recourse Party, whether granted by statute or based on theories of equity, agency, control, instrumentality, alter ego, domination, sham, single business enterprise, piercing the veil, unfairness, undercapitalization, or otherwise and (b) each Contracting Party disclaims any reliance upon any Non-Recourse Party with respect to the performance of this Business Transfer Agreement or any representation or warranty made in, in connection with, or as an inducement to this Business Transfer Agreement. Non-Recourse Parties are expressly intended as third-party beneficiaries of this provision of this Business Transfer Agreement. In the event that any provision of this Business Transfer Agreement provides that a party hereto shall cause its Affiliates or any other Persons to take any action (or refrain from taking any action) or otherwise purports to be binding on such party’s Affiliates or such other Persons, such party shall be liable for any breach of such provision by any such Affiliate or other Person.

Section 10.10 Amendment and Modification; Waiver.

This Business Transfer Agreement may only be amended, modified, or supplemented by an agreement in writing signed by Buyer and Seller. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the Party so waiving. No waiver by any Party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Business Transfer Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any

right, remedy, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power, or privilege.

Section 10.11 Governing Law; Jurisdiction; Mediation; Waiver of Jury Trial.

(a) This Business Transfer Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction).

(b) Except as hereinafter provided in this **Section 10.11**, all claims, controversies, differences, or disputes between or among the parties hereto arising from or relating to this Business Transfer Agreement, including claims by one party that another party or parties hereto have failed to perform any of their obligations hereunder or thereunder (collectively, “**Agreement Disputes**”), shall be resolved as follows

(i) **Mediation.** The parties to an Agreement Dispute shall first attempt to resolve such Agreement Dispute by means of a facilitative mediation conducted in the following manner. A party desiring mediation of any Agreement Dispute shall give or shall have given a written notice (a “**Dispute Notice**”), to the other party or parties setting forth the nature of the dispute and the relief intended to be sought and shall submit such Agreement Dispute for resolution by facilitative mediation in Chicago, Illinois or at such other place or remotely as Seller and Buyer may mutually agree upon in writing, under the Commercial Mediation Rules (but not otherwise under the auspices) of the American Arbitration Association (the “**AAA**”) in effect on the date of this Business Transfer Agreement, unless the parties have agreed, in writing, to resolve any such dispute by other means. Unless otherwise agreed by the parties, such mediation shall be facilitated by a neutral facilitator reasonably acceptable to the parties and shall require the parties to fully articulate the positions they would expect to advance in any litigation of the same Agreement Dispute, to discuss with each other in good faith their respective positions, and to make commercially reasonable efforts to resolve the Agreement Dispute. All mediation communications shall be deemed settlement discussions under applicable state and federal rules of evidence. Except as agreed by both parties, the facilitator shall keep confidential all information disclosed during negotiations. The facilitator shall not act as a witness for either party in any subsequent arbitration or other legal proceedings between the parties. Any period of limitation applicable to the Agreement Dispute shall be tolled from the date on which the request for facilitative mediation is made to the date which is sixty (60) days after the termination of the facilitative mediation. Each party agrees that it will submit to and shall not challenge or object to the jurisdiction (either personal or subject matter) or the venue of such mediation in Chicago, Illinois.

(ii) **Legal Proceedings.** If any Agreement Dispute has not been resolved by mediation as provided above within sixty (60) days after submission thereof, then either party may commence a suit or legal action or an action at equity to enforce its rights or the other party's obligations or recover any damages arising

from the other party's breach or such other relief as may be appropriate under the circumstances in the manner provided herein.

(iii) Attorney Fees and Other Costs. Each party to any mediation or any action or legal or other proceeding brought with respect to an Agreement Dispute shall pay its own fees and disbursements of its attorneys, accountants, and expert witnesses in connection with any such mediation or any action or legal or other proceeding brought in accordance with the provisions hereof.

(iv) Exceptions for Equitable Relief. Notwithstanding the foregoing or anything to the contrary contained elsewhere in this Business Transfer Agreement, a party may bring a proceeding against any other party hereto for specific performance or injunctive or other forms or equitable relief in the state or federal courts of Delaware as provided in this Business Transfer Agreement, without having to submit the matter or Agreement Dispute in question to mediation as hereinabove set forth, *provided, however*, that such party shall not seek any monetary award or relief in such action or proceeding unless its failure to do so would prejudice such party's rights or ability to seek such monetary award or relief in another action or proceeding.

(c) SUBJECT TO **Section 10.11(b)**, ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS BUSINESS TRANSFER AGREEMENT, THE ANCILLARY AGREEMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY SHALL BE INSTITUTED IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA OR THE COURTS OF THE STATE OF DELAWARE, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN ANY SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR ANY PROCEEDING IN SUCH COURTS AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(d) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS BUSINESS TRANSFER AGREEMENT OR THE ANCILLARY AGREEMENTS IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS BUSINESS TRANSFER AGREEMENT, THE OTHER ANCILLARY AGREEMENTS OR THE TRANSACTIONS

CONTEMPLATED HEREBY OR THEREBY. EACH PARTY TO THIS BUSINESS TRANSFER AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS BUSINESS TRANSFER AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS **Section 10.11(b)**.

Section 10.12 Specific Performance.

The Parties agree that irreparable damage would occur if any provision of this Business Transfer Agreement were not performed in accordance with the terms hereof and that the Parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

Section 10.13 Counterparts.

This Business Transfer Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Business Transfer Agreement delivered by e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Business Transfer Agreement.

Section 10.14 Relationship of Parties.

Nothing contained in this Business Transfer Agreement shall, or shall be deemed to, constitute a partnership, joint venture or agency agreement among any of the Seller, Buyer or any of their respective Affiliates.

Section 10.15 English Language.

This Business Transfer Agreement has been written and executed in the English language. All questions of construction arising under this Business Transfer Agreement shall be resolved through reference to the executed instrument in English whether or not counterparts hereof are written and/or executed in another language.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have caused this Business Transfer Agreement to be executed as of the date first written above by their respective officers thereto duly authorized.

SELLER:

VEHICLE ACCESS SYSTEMS TECHNOLOGY LLC

By: _____

Name: Robert Carl Meyer

Title: President

BUYER:

STRATTEC SECURITY CORPORATION

By: _____

Name: Frank J. Krejci

Title: President and Chief Executive Officer

EXHIBIT A

BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS, by this General Bill of Sale (this “**General Bill of Sale**”) made and entered into effective as of June 30, 2023, VEHICLE ACCESS SYSTEMS TECHNOLOGY LLC, a Delaware limited liability company (the “**Seller**”), for and in consideration of the Purchase Price and for other good and valuable consideration provided to it this date by STRATTEC SECURITY CORPORATION, a Wisconsin corporation (the “**Buyer**”), the receipt and sufficiency of which consideration is hereby acknowledged by Seller, pursuant to the terms and provisions of that certain Business Transfer Agreement made and entered into effective as of the date hereof by and between Buyer and Seller (the “**Purchase Agreement**”), does hereby sell, convey, assign, transfer and deliver to Buyer and its successors and assigns all of Seller's right, title and interest in and to the Assets. Capitalized terms used herein but not otherwise defined shall have the meanings given such terms in the Purchase Agreement.

TO HAVE AND TO HOLD, the Assets conveyed hereby to Buyer, its successors and assigns, and, subject to the terms and conditions of the Purchase Agreement, Seller does hereby bind itself and its successors and assigns to convey good and valid title in and to the Assets to Buyer and its successors and assigns against every person lawfully making claim thereto, by, through or under Seller, and Seller does hereby quitclaim, remise and release to Buyer each and every other right, title and interest of Seller in and to the Assets, free and clear of all Liens, other than Permitted Liens.

Seller shall execute and deliver, or cause to be executed and delivered, from time to time hereafter, upon request, such further documents and instruments and shall do and perform such further acts as may be reasonably necessary to give full effect to the intent of this General Bill of Sale.

The provisions of this General Bill of Sale are subject, in all respects, to the terms and conditions of the Purchase Agreement and all of the representations and warranties, covenants and agreements contained therein, all of which shall survive the execution and delivery of this General Bill of Sale as provided in the Purchase Agreement. Except as otherwise expressly stated in the Purchase Agreement, the Seller makes no warranties or representations with respect to the Assets, the Buyer accepts the Assets AS IS, WHERE IS, in its present condition, including all defects and with all faults, and there are no warranties of merchantability or of fitness for a particular purpose with respect to the Assets. In the event of any conflict between this General Bill of Sale and the Purchase Agreement, the terms of the Purchase Agreement shall govern.

This General Bill of Sale may be executed by original, facsimile or electronic "PDF" signature, each of which shall be deemed an original signature and shall be sufficient for the execution hereof. This General Bill of Sale shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to conflicts of law principles; except in the event Korean law precludes application of Delaware law and in which case Korean law shall apply.

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IN WITNESS WHEREOF, Seller has executed and delivered this General Bill of Sale effective as of the date first above written.

SELLER:

VEHICLE ACCESS SYSTEMS TECHNOLOGY LLC

By: _____

Name: Robert Carl Meyer

Title: President

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EXHIBIT B

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this “**Agreement**”) is made and entered into effective as of June 30, 2023 (the “**Effective Date**”), by and between STRATTEC SECURITY CORPORATION, a Wisconsin corporation (the “**Buyer**”), and VEHICLE ACCESS SYSTEMS TECHNOLOGY LLC, a Delaware limited liability company (the “**Seller**”).

RECITALS

A. Seller and Buyer are parties to that certain Business Transfer Agreement made and entered into effective as of the date hereof by and between Buyer and Seller (the “**Purchase Agreement**”). Capitalized terms used but not defined herein shall have the meanings assigned such terms in the Purchase Agreement.

B. Pursuant to the terms of the Purchase Agreement, Buyer has agreed to assume, and Seller has agreed to assign, Seller's rights and obligations under certain Assumed Liabilities, including the Business Contracts, Purchased Leasehold Interest, Contracts in Progress and Personal Property Leases to which Seller is a party and which are related to the VAST Korea Business.

C. Seller desires to assign to Buyer the Assumed Liabilities and Buyer desires to accept from Seller such assignment and assume Seller's obligations and liabilities under the Assumed Liabilities to the extent provided in the Purchase Agreement.

AGREEMENTS

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Assignment and Assumption. Seller hereby assigns, sets over and transfers to Buyer all of Seller's right, title and interest in and to the Assumed Liabilities. Buyer hereby accepts such assignment and assumes and agrees to pay, perform, timely discharge and be bound by all of the covenants, terms and obligations contained in the Assumed Liabilities to the same extent as if Buyer had been named in the Assumed Liabilities in the place and stead of Seller, but subject to and only to the extent provided in the Purchase Agreement.

2. Relationship to the Purchase Agreement. The provisions of this Agreement are subject, in all respects, to the terms and conditions of the Purchase Agreement and all of the representations and warranties, covenants and agreements contained therein, all of which shall survive the execution and delivery of this Agreement to the extent indicated in the Purchase Agreement. Except as otherwise expressly stated in the Purchase Agreement, the Seller makes no warranties or representations with respect to the Assumed Liabilities, the Buyer accepts the Assumed Liabilities AS IS, WHERE IS, in its present condition, including all defects and with all faults, and there are no warranties of merchantability or of fitness for a particular purpose with respect to the Assumed Liabilities. In the event of any conflict between this Agreement and the Purchase Agreement, the terms of the Purchase Agreement shall govern.

3. General. The introductory language and the recitals set forth above shall be deemed incorporated herein by reference. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument and delivered in person. Signatures delivered by facsimile or via e-mail in portable document format ("pdf") shall be binding for all purposes hereof. Section headings are intended for convenience of reference only and shall not affect in any way the meaning or interpretation of this instrument. This instrument shall be governed by and construed in accordance with the laws of the State of Delaware. The delivery of this instrument shall not otherwise affect the respective representations, warranties and agreements of Buyer and Seller set forth in the Purchase Agreement.

[The remainder of this page has been intentionally left blank; signature page follows]

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IN WITNESS WHEREOF, the undersigned have executed this Assignment and Assumption Agreement effective as of the date first above written.

SELLER:

VEHICLE ACCESS SYSTEMS TECHNOLOGY LLC

By: _____

Name: Robert Carl Meyer

Title: President

BUYER:

STRATTEC SECURITY CORPORATION

By: _____

Name: Frank J. Krejci

Title: President and Chief Executive Officer

EXHIBIT C

TRIPARTITE EMPLOYMENT TRANSFER AGREEMENT

This Tripartite Employment Transfer Agreement (“**Agreement**”) is made and entered into on [Insert Date] by and between STRATTEC SECURITY CORPORATION, a Wisconsin corporation (hereinafter “**Company**”), Vehicle Access Systems Technology LLC, a Delaware limited liability company (“**Transferor**”), and [Insert Name of Employee] (hereinafter, “**Employee**”).

The Company, Transferor and Employee shall also be referred to each as a “**Party**” or together as the “**Parties.**”

RECITALS

In connection with the business transfer agreement dated June 30, 2023 (“**Business Transfer Agreement**”) between the Transferor and the Company, the Transferor is currently undertaking a process of which it will individually transfer the Employee to the Company.

The Company, Transferor and the Employee hereby enter into this Agreement to clarify their respective rights and obligations in connection with the proposed Transfer.

NOW, THEREFORE, the Parties agree as follows:

1. The Employee hereby, expressly and irrevocably, accepts the termination of his/her contractual relationship with Transferor on the closing date of the Business Transfer Agreement (the “**Termination Date**”) and the effectuation of a new employment agreement with the Company as of the next day of the Termination Date (the “**Effective Date**”). The process shall collectively be called the “**Transfer**”).
2. The Employee hereby acknowledges and agrees to faithfully and diligently perform all necessary steps that are required of him/her to effectuate the Transfer (including entering into a new employment agreement with the Company and/or duly submitting a resignation letter to the Transferor), and that he/she will not act, in any way or form, that may conflict or interfere with the Transfer.
3. The Employee acknowledges and agrees that all unpaid retirement benefits (including severance pay), allowances, and other unpaid money and valuables (if any) that are due to him/her up until the Termination Date accrued in connection with the Employee’s employment with Transferor shall be transferred to the Company.
Transferor will thereby not make such payments to Employee as of the Effective Date.
4. The Company shall grant the Employee credit for years of prior service, and recognize the Employee's continuity of service with Transferor for all purposes (including, without limitation, calculation of annual leave and retirement benefits).

5. As of the Effective Date, all paid annual leave that has been accrued but unused by the Employee during his/her term of employment with Transferor shall transfer and be succeeded to the Company.
6. Each Party to this Agreement agrees not to sue or to file any civil, criminal or administrative complaints and agrees not to take any other action against another Party in relation to the Transfer.
7. The English version of this Agreement shall prevail over any translated versions.
8. This Agreement shall be governed by the laws of the Republic of Korea and will be subject to the non-exclusive jurisdiction of the Seoul Central District Court and shall come into effect as of the execution hereof by all Parties.

IN WITNESS WHEREOF, and intending to be legally bound, the Parties hereto have caused this Agreement to be executed on [XX XX 2023].

TRANSFEROR:

VEHICLE ACCESS SYSTEMS TECHNOLOGY LLC

By: _____

Name: Robert Carl Meyer

Title: President

COMPANY:

STRATTEC SECURITY CORPORATION

By: _____

Name: Frank J. Krejci

Title: President and Chief Executive Officer

EMPLOYEE:

[_____]

By: _____

Name: [*]

EXHIBIT D
DRAFT RECEIVABLE PURCHASE AGREEMENT

This Receivable Purchase Agreement (this “**Receivable Purchase Agreement**”), dated as of June 30, 2023, is made by and among VEHICLE ACCESS SYSTEM TECHNOLOGY LLC, a Delaware limited liability company (“**Seller**”) and WITTE AUTOMOTIVE GMBH, a limited liability company incorporated under the laws of the Federal Republic of Germany (“**Buyer**”) (Seller and Buyer each referred to as “**Party**”, and collectively to the “**Parties**”).

RECITALS

WHEREAS, Seller entered into that certain Asset Purchase Agreement dated June, 30, 2023 with STRATTEC SECURITY CORPORATION, a Wisconsin corporation (“**STRATTEC**”) under which Seller sold and transferred the assets and rights represented by its Korean branch office (“the **VAST Korea Purchase Agreement**”).

WHEREAS, under the VAST Korea Purchase Agreement Seller has claim for payment of a purchase price in the amount of \$663,000 against STRATTEC (“the **VAST Korea Claim**”).

WHEREAS, Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, all of Seller’s right and title in the VAST Korea Purchase Price to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and agreements in this Equity Restructuring Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

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ARTICLE 1
PURCHASE AND SALE

Section 1.01 Purchase and Sale.

Seller hereby sells and assigns with immediate effect to Buyer, and Buyer shall purchase, the VAST Korea Claim, including all of Seller's rights, title, and interest therein, free and clear of all Encumbrances for the consideration specified in **Section 1.02.**

Section 1.02 Purchase Price.

(a) The purchase price for the VAST Korea Claim shall be equal to the VAST Korea Claim (the "**Purchase Price**").

(b) Payment of the Purchase Price from Buyer to Seller shall be deferred for a period of two months beginning from the closing of the VAST Korea Purchase Agreement or any other date agreed between the Seller and the Buyer in writing.

ARTICLE 2
MISCELLANEOUS

Section 2.01 Severability.

If any term or provision of this Receivable Purchase Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Receivable Purchase Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties shall negotiate in good faith to modify this Receivable Purchase Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 2.02 Entire Agreement.

This Receivable Purchase Agreement constitutes the sole and entire agreement of the parties to this Receivable Purchase Agreement, respectively, with respect to the subject matter contained herein and therein, and supersedes all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Receivable Purchase Agreement, the Exhibits and Schedules, the statements in the body of this Receivable Purchase Agreement will control.

Section 2.03 Successors and Assigns.

This Receivable Purchase Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assigns. No Party may assign its rights or obligations hereunder without the prior written consent of the other Parties, which consent shall not be unreasonably withheld, conditioned or delayed. No assignment shall relieve the assigning Party of any of its obligations hereunder.

Section 2.04 Amendment and Modification; Waiver.

This Receivable Purchase Agreement may only be amended, modified, or supplemented by an agreement in writing signed by all Parties. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power, or privilege.

Section 2.05 Governing Law.

This Receivable Purchase Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction).

Section 2.06 Counterparts.

This Receivable Purchase Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Receivable Purchase Agreement delivered by e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Receivable Purchase Agreement.

Section 2.07 English Language.

This Receivable Purchase Agreement has been written and executed in the English language. All questions of construction arising under this Receivable Purchase Agreement shall be resolved through reference to the executed instrument in English whether or not counterparts hereof are written and/or executed in another language.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have caused this Receivable Purchase Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

VEHICLE ACCESS SYSTEMS TECHNOLOGY LLC:

By: _____
Name: Robert Carl Meyer
Title: President

WITTE AUTOMOTIVE GMBH:

By: _____
Name: Rainer Götz
Title: Chief Executive Officer

EXHIBIT E
Cooperation Framework Agreement

[Exhibit Intentionally Omitted for Proprietary and Confidentiality Concerns]

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SUBSIDIARIES OF THE COMPANY

<u>Subsidiary</u>	<u>Country of Incorporation</u>	<u>Percent Owned</u>
STRATTEC de Mexico S.A. de C.V.	Mexico	100%
STRATTEC POWER ACCESS LLC	United States	100% *
ADAC-STRATTEC LLC	United States	51%

* Formerly 80% owned. Effective June 30, 2023, STRATTEC acquired the remaining 20% minority interest in this entity and it became 100% owned by STRATTEC.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-249611, 333-103219, 333-31002, 333-45221, 333-4300, 333-140715 and 333-199906 on Form S-8 of our reports dated September 7, 2023, relating to the financial statements of STRATTEC SECURITY CORPORATION, and the effectiveness of STRATTEC SECURITY CORPORATION's internal control over financial reporting, appearing in this Annual Report on Form 10-K for the year ended July 2, 2023.

/s/ Deloitte & Touche LLP

Milwaukee, Wisconsin
September 7, 2023

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-249611, 333-103219, 333-31002, 333-45221, 333-4300, 333-140715 and 333-199906 on Form S-8 of STRATTEC SECURITY CORPORATION of our report dated September 8, 2022, on the 2022 financial statements of STRATTEC SECURITY CORPORATION, appearing in this Annual Report on Form 10-K for the year ended July 2, 2023.

/s/ Crowe LLP

Oak Brook, Illinois
September 7, 2023

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

I, Frank J. Krejci, certify that:

1. I have reviewed this annual report on Form 10-K 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: September 7, 2023

/s/ Frank J. Krejci
Frank J. Krejci,
Chief Executive Officer

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

I, Dennis Bowe, certify that:

1. I have reviewed this annual report on Form 10-K 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: September 7, 2023

/s/ Dennis Bowe
Dennis Bowe,
Chief Financial Officer

**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 Annual Report on Form 10-K of the Company for the year ended July 2, 2023 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and information contained in that Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 7, 2023

/s/ Frank J. Krejci

Frank J. Krejci,
Chief Executive Officer

Dated: September 7, 2023

/s/ Dennis Bowe

Dennis Bowe,
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.
