UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 0-25150

STRATTEC SECURITY CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Wisconsin	39-1804239
(State of Incorporation)	(I.R.S. Employer Identification No.)

3333 West Good Hope Road, Milwaukee, WI 53209

(Address of Principal Executive Offices)

(414) 247-3333

(Registrant’s Telephone Number, Including Area Code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. (Check one):

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

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES NO

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

Common stock, par value $0.01 per share: 3,704,230 shares outstanding as of January 2, 2018 (which number includes all restricted shares previously awarded that have not vested as of such date).

STRATTEC SECURITY CORPORATION

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PROSPECTIVE INFORMATION

A number of the matters and subject areas discussed in this Form 10-Q contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "would," "expect," "intend," "may," "planned," "potential," "will," and "could," or the negative of these terms or words of similar meaning. These include statements regarding expected future financial results, product offerings, global expansion, liquidity needs, financing ability, planned capital expenditures, management's or the Company's expectations and beliefs, and similar matters discussed in this Form 10-Q. The discussion of such matters and subject areas contained herein is 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 customers' product recall policies, foreign currency fluctuations, costs of operations, the volume and scope of product returns and warranty claims and other matters described in the section titled "Risk Factors" in the Company's Form 10-K report filed on September 7, 2017 with the Securities and Exchange Commission for the year ended July 2, 2017.

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

Item 1 Financial Statements

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Income and Comprehensive Income (Loss)

(In Thousands, Except Per Share Amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	December 31, 2017	January 1, 2017	December 31, 2017	January 1, 2017
Net sales	$103,182	$98,945	$205,642	$199,189
Cost of goods sold	90,536	85,251	179,533	170,692
Gross profit	12,646	13,694	26,109	28,497
Engineering, selling and administrative expenses	10,152	11,243	20,194	22,526
Income from operations	2,494	2,451	5,915	5,971
Interest income	3	39	7	80
Equity earnings of joint ventures	1,473	229	2,499	291
Interest expense	(253)	(98)	(456)	(176)
Other income, net	109	426	196	184
Income before provision for income taxes and non-controlling interest	3,826	3,047	8,161	6,350
(Benefit) Provision for income taxes	(9)	1,410	1,057	2,308
Net income	3,835	1,637	7,104	4,042
Net income attributable to non-controlling Interest	953	1,239	1,766	2,102
Net income attributable to STRATTEC SECURITY CORPORATION	$2,882	$398	$5,338	$1,940
Comprehensive Income (Loss):				
Net income	$3,835	$1,637	$7,104	$4,042
Pension and postretirement plans, net of tax	277	474	555	949
Currency translation adjustments	(2,591)	(3,408)	(2,294)	(5,031)
Other comprehensive loss, net of tax	(2,314)	(2,934)	(1,739)	(4,082)
Comprehensive income (loss)	1,521	(1,297)	5,365	(40)
Comprehensive income attributable to non-controlling interest	80	346	815	1,099
Comprehensive income (loss) attributable to STRATTEC	$1,441	$(1,643)	$4,550	$(1,139)

SECURITY CORPORATION				
Earnings per share attributable to STRATTEC SECURITY CORPORATION:				
Basic	$0.79	$0.11	$1.47	$0.54
Diluted	$0.78	$0.11	$1.44	$0.53
Average shares outstanding:				
Basic	3,631	3,589	3,621	3,583
Diluted	3,715	3,667	3,698	3,664
Cash dividends declared per share	$0.14	$0.14	$0.28	$0.28

The accompanying notes are an integral part of these Condensed Consolidated Statements of Income and Comprehensive Income (Loss).

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In Thousands, Except Share Amounts)

	December 31, 2017 (Unaudited)	July 2, 2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 8,385	$ 8,361
Receivables, net	60,587	64,933
Inventories:		
Finished products	11,748	9,976
Work in process	9,758	9,328
Purchased materials	25,349	20,682
Excess and obsolete reserve	(4,568)	(4,510)
Inventories, net	42,287	35,476
Other current assets	23,278	20,235
Total current assets	134,537	129,005
Investment in joint ventures	19,724	16,840
Deferred income taxes	1,558	256
Other long-term assets	17,182	16,022
Property, plant and equipment	260,901	251,519
Less: accumulated depreciation	(145,380)	(139,928)
Net property, plant and equipment	115,521	111,591
	$ 288,522	$ 273,714
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 37,405	$ 39,679
Accrued Liabilities:		
Payroll and benefits	11,082	13,055
Environmental	1,296	1,308
Warranty	6,012	5,550
Other	6,402	8,303
Total current liabilities	62,197	67,895
Borrowings under credit facility	46,000	30,000
Accrued pension obligations	1,551	1,492
Accrued postretirement obligations	857	1,003
Other long-term liabilities	2,061	610
Shareholders' Equity:		
Common stock, authorized 12,000,000 shares, $.01 par value, 7,251,937	72	72

issued shares at December 31, 2017 and 7,216,103 issued shares at

July 2, 2017		
Capital in excess of par value	94,603	93,813
Retained earnings	230,234	225,913
Accumulated other comprehensive loss	(33,676)	(32,888)
Less: treasury stock, at cost (3,618,182 shares at December 31, 2017 and 3,619,487 shares at July 2, 2017)	(135,801)	(135,822)
Total STRATTEC SECURITY CORPORATION shareholders' equity	155,432	151,088
Non-controlling interest	20,424	21,626
Total shareholders' equity	175,856	172,714
	$ 288,522	$273,714

The accompanying notes are an integral part of these Condensed Consolidated Balance Sheets.

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(In Thousands)

(Unaudited)

	Six Months Ended December 31, 2017	Six Months Ended January 1, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$7,104	$4,042
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,667	5,647
Foreign currency transaction gain	(419)	(2,497)
Unrealized loss on peso forward contracts	1,079	1,563
Stock based compensation expense	621	792
Equity earnings of joint ventures	(2,499)	(291)
Deferred income taxes	(1,710)	—
Change in operating assets and liabilities:		
Receivables	4,330	4,085
Inventories	(6,811)	(403)
Other assets	(4,813)	(2,541)
Accounts payable and accrued liabilities	(2,478)	(248)
Other, net	(33)	(148)
Net cash provided by operating activities	1,038	10,001
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in joint ventures	—	(100)
Loan to joint ventures	—	(1,400)
Repayment from loan to joint ventures	150	75
Purchase of property, plant and equipment	(14,349)	(16,329)
Proceeds received on sale of property, plant, and equipment	2	—
Net cash used in investing activities	(14,197)	(17,754)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under credit facility	18,000	21,000
Repayments of borrowings under credit facility	(2,000)	(21,000)
Contribution from non-controlling interest of subsidiaries	—	2,940
Dividends paid to non-controlling interests of subsidiaries	(2,017)	(1,764)
Dividends paid	(1,017)	(1,006)
Exercise of stock options and employee stock purchases	190	160
Net cash provided by financing activities	13,156	330
Foreign currency impact on cash	27	136
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24	(7,287)

CASH AND CASH EQUIVALENTS		
Beginning of period	8,361	15,477
End of period	$8,385	$8,190
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Income taxes	$1,351	$1,026
Interest	$424	$167
Non-cash investing activities:		
Change in capital expenditures in accounts payable	$(1,228)	$(2,051)

The accompanying notes are an integral part of these Condensed Consolidated Statements of Cash Flows.

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Basis of Financial Statements

STRATTEC SECURITY CORPORATION designs, develops, manufactures and markets automotive access control products including mechanical locks and keys, electronically enhanced locks and keys, steering column and instrument panel ignition lock housings, latches, power sliding door 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 unique 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" 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 provide full service and aftermarket support for each VAST partner's products. We also maintain a 51 percent interest in a joint venture, STRATTEC Advanced Logic, LLC ("SAL LLC"), which was formed to introduce a new generation of biometric security products based on the designs of Actuator Systems, our partner and the owner of the remaining ownership interest. Currently, we, along with our joint venture partner, are winding down operating the business of SAL LLC.

The accompanying condensed 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. 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 Juarez and Leon, Mexico. Equity investments in Vehicle Access Systems Technology LLC ("VAST LLC") and SAL LLC, for which we exercise significant influence but do not control and are not the primary beneficiary, are accounted for using the equity method. VAST LLC consists primarily of three wholly owned subsidiaries in China, one wholly owned subsidiary in Brazil and one joint venture entity in India. SAL LLC is located in El Paso, Texas. We have only one reporting segment.

In the opinion of management, the accompanying condensed consolidated balance sheets as of December 31, 2017 and July 2, 2017, which have been derived from our audited financial statements, and the related unaudited interim condensed consolidated financial statements included herein contain all adjustments, consisting only of normal recurring items, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and in accordance with Rule 10-01 of Regulation S-X. All significant intercompany transactions have been eliminated.

Interim financial results are not necessarily indicative of operating results for an entire year. The information included in this Form 10-Q should be read in conjunction with the financial statements and notes thereto included in the STRATTEC SECURITY CORPORATION 2017 Annual Report, which was filed with the Securities and Exchange Commission as an exhibit to our Form 10-K on September 7, 2017.

New Accounting Standards

In May 2014, the FASB issued an update to the accounting guidance for the recognition of revenue arising from contracts with customers. The update supersedes most current revenue recognition guidance and outlines a single comprehensive model for revenue recognition based on the principle that an entity should recognize revenue in an amount that reflects the expected consideration to be received in the exchange of goods and services. The guidance update also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The guidance permits two methods of adoption: the full retrospective method, which requires retrospective restatement of each prior reporting period presented, or the modified retrospective method, which requires the cumulative effect of initially applying the guidance be recognized at the date of initial application. Currently, we do not expect the adoption of this standard to have a material impact on our results of operations or financial position; however, we expect to expand disclosures in line with the requirements of the new standard. We currently do not expect any changes to how we account for reimbursable pre-production costs, which are currently accounted for as a cost reduction. We expect revenue related to parts shipped under our production contracts to remain unchanged. We will adopt this standard as of July 2, 2018, the first day of our 2019 fiscal year. We currently plan to adopt the new standard using the modified retrospective approach.

In August 2014, the FASB issued an update to the accounting guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new guidance requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. This accounting update is effective for annual and interim periods beginning on or after December 15, 2016, with early adoption permitted. The adoption of this pronouncement did not have a material impact on our consolidated financial statements.

In July 2015, the FASB issued an accounting standard to simplify the measurement of inventory by changing the subsequent measurement guidance from the lower of cost or market to the lower of cost and net realizable value for inventory. The standard update is effective for fiscal years beginning after December 15, 2016 and interim periods within those years, and early adoption was permitted. The standard is to be applied prospectively. The adoption of this pronouncement did not have a material impact on our consolidated financial statements.

In February 2016, the FASB issued an update to the accounting guidance for leases. The update increases the transparency and comparability among organizations by requiring lessees to recognize lease assets and lease liabilities on the balance sheet and to disclose key information about leasing arrangements. The guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those years. We do not expect that the adoption of this pronouncement will have a material impact on our consolidated financial statements.

In March 2016, the FASB issued an update to the accounting guidance for share-based payments. The update simplifies several aspects of the accounting for employee share-based payment transactions including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification of such items in the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within those years. The adoption of this pronouncement did not have a material impact on our consolidated financial statements.

In August 2016, the FASB issued an update to the accounting guidance on the classification of certain cash receipts and cash payments. The update aims to eliminate diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those years. We do not expect that the adoption of this pronouncement will have a material impact on our consolidated financial statements.

In March 2017, the FASB issued an update to the accounting guidance for the presentation of net periodic pension cost and net periodic postretirement benefit cost. The update requires the service cost component of net periodic benefit cost be reported in the same line items as other compensation costs arising from services rendered by the pertinent employees during the applicable period. The remaining components of net periodic benefit cost are required to be presented separately from the service cost component outside a subtotal of income from operations. Additionally, the update allows only the service cost component to be eligible for capitalization when applicable. The guidance requires retrospective restatement for each period presented for the presentation of the service cost component and the other components of net periodic benefit cost in the income statement and prospective application for the capitalization of the service cost component of net periodic benefit cost. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those years, with early adoption permitted. We elected early adoption beginning with the interim periods of our fiscal 2018. The adoption of this guidance resulted in the reclassification of expense within our Condensed Consolidated Statements of Income and Comprehensive Income (Loss) for the three and six months ended January 1, 2017 of $199,000 and $397,000, respectively, from cost of goods sold to Other income, net and $86,000 and $173,000, respectively, from engineering, selling and administrative expenses to Other Income, net.

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. We executed contracts with Bank of Montreal that provide for bi-weekly and monthly Mexican peso currency forward contracts for a portion of our estimated peso denominated operating costs. The peso currency forward contracts include settlement dates that began on October 16, 2015 and end on June 15, 2018. Our objective in entering into these 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 condensed consolidated financial statements at fair value and changes in the fair value are reported in current earnings as part of Other Income, net.

The following table quantifies the outstanding Mexican peso forward contracts as of December 31, 2017 (thousands of dollars, except average forward contractual exchange rates):

	Effective Dates	Notional Amount	Average Forward Contractual Exchange Rate	Fair Value
Buy MXP/Sell USD	January 12, 2018 - June 15, 2018	$ 9,000	20.08	$ 42

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

	December 31, 2017	July 2, 2017
Not Designated as Hedging Instruments:		
Other Current Assets:		
Mexican Peso Forward Contracts	$ 42	$ 1,121

The pre-tax effects of the Mexican peso forward contracts are included in Other Income, net on the accompanying Condensed Consolidated Statements of Income and Comprehensive Income (Loss) and consisted of the following (thousands of dollars):

	Three Months Ended		Six Months Ended	
	December 31, 2017	January 1, 2017	December 31, 2017	January 1, 2017
Not Designated as Hedging Instruments:				
Realized Gain (Loss)	$ 201	$ (576)	$ 659	$ (806)
Unrealized Loss	$ (821)	$ (664)	$ (1,079)	$ (1,563)

Fair Value of Financial Instruments

The fair value of our cash and cash equivalents, accounts receivable, accounts payable and borrowings under our credit facility approximated book value as of December 31, 2017 and July 2, 2017. 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 in an orderly transaction between market participants on the measurement date.

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 (in thousands):

	Fair Value Inputs		
	Level 1 Assets: Quoted Prices In Active Markets	Level 2 Assets: Observable Inputs Other Than Market Prices	Level 3 Assets: Unobservable Inputs
Assets:			
Rabbi Trust Assets:			
Stock Index Funds:			
Small Cap	$ 281	$ —	$ —
Mid Cap	284	—	—
Large Cap	567	—	—
International	841	—	—
Fixed Income Funds	818	—	—
Mexican Peso Forward Contracts	—	42	—
Total Assets at Fair Value	$ 2,791	$ 42	$ —

The Rabbi Trust assets fund our amended and restated supplemental executive retirement plan and are included in Other Long-term Assets in the accompanying Condensed 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. There were no transfers between Level 1 and Level 2 assets during the six month period ended December 31, 2017.

Equity Earnings of Joint Ventures

We hold a one-third interest in a joint venture company, VAST LLC, with WITTE and ADAC. VAST LLC exists to seek opportunities to manufacture and sell all three companies' products in areas of the world outside of North America and Europe. Our investment in VAST LLC, for which we exercise significant influence but do not control and are not the primary beneficiary, is accounted for using the equity method.

The following are summarized statements of operations for VAST LLC (in thousands):

	Three Months Ended		Six Months Ended	
	December 31, 2017	January 1, 2017	December 31, 2017	January 1, 2017
Net Sales	$45,333	$34,007	$83,843	$59,016
Cost of Goods Sold	35,263	27,124	64,276	47,217
Gross Profit	10,070	6,883	19,567	11,799
Engineering, Selling and Administrative Expenses	6,325	5,212	12,346	9,227
Income From Operations	3,745	1,671	7,221	2,572
Other Income, net	636	730	786	1,171
Income before Provision for Income Taxes	4,381	2,401	8,007	3,743
Provision for Income Taxes	162	405	684	577
Net Income	$4,219	$1,996	$7,323	$3,166
STRATTEC's Share of VAST LLC Net Income	$1,406	$665	$2,441	$1,055
Intercompany Profit Elimination	(2)	(23)	(2)	(23)
STRATTEC's Equity Earnings of VAST LLC	$1,404	$642	$2,439	$1,032

We hold a 51% ownership interest in a joint venture company, SAL LLC, which was formed to introduce a new generation of biometric security products based upon the designs of Actuator Systems LLC, our partner. SAL LLC is considered a variable interest entity based on loans from STRATTEC as discussed below. STRATTEC is not the primary beneficiary and does not control the entity. Accordingly, our investment in SAL LLC is accounted for using the equity method.

SAL LLC maintains a license agreement with Westinghouse allowing SAL LLC to do business as Westinghouse Security. Payments due Westinghouse under the license agreement were guaranteed by STRATTEC. As of December 31, 2017 and July 2, 2017, STRATTEC has a recorded liability equal to the estimated fair value of the future payments due under this guarantee of $250,000. The liability is included in Accrued Liabilities: Other in the accompanying Condensed Consolidated Balance Sheets.

Loans were made from STRATTEC to SAL LLC in support of operating expenses and working capital needs. The outstanding loan amounts totaled $2.6 million as of December 31, 2017 and July 2, 2017. As of each balance sheet date, the outstanding loan amount was eliminated against STRATTEC's Investment in SAL LLC in the preparation of the consolidated financial statements.

Even though we maintain a 51 percent ownership interest in SAL LLC, effective with our fiscal 2015 fourth quarter, 100 percent of the funding for SAL LLC was being made by loans from STRATTEC to SAL LLC. Therefore, STRATTEC recognized 100 percent of the losses of SAL LLC up to our committed financial support through Equity (Loss) Earnings of Joint Ventures in the accompanying Condensed Consolidated Statements of Income and Comprehensive Income (Loss) for all periods presented in this report. The equity earnings reported for the quarter and year to date periods ended December 31, 2017 was the result of a reduction in our estimated required financial support needed to satisfy the liabilities of SAL LLC.

The following are summarized statements of operations for SAL, LLC (in thousands):

	Three Months Ended		Six Months Ended	
	December 31, 2017	January 1, 2017	December 31, 2017	January 1, 2017
Net Sales	$122	$ 96	$230	$ 196
Cost of Goods Sold	259	97	411	184
Gross (Loss) Profit	(137)	(1)	(181)	12
Engineering, Selling and Administrative Expenses	(15)	369	(25)	706
Loss From Operations	(122)	(370)	(156)	(694)
Other Expense, net	(64)	(35)	(129)	(47)
Net Loss	$(186)	$ (405)	$(285)	$ (741)
STRATTEC's Equity Earnings (Loss) of SAL LLC	$69	$ (413)	$60	$ (741)

Currently, we, along with our joint venture partner, are winding down operating the business of SAL LLC.

We have sales of component parts to VAST LLC and SAL LLC, purchases of component parts from VAST LLC, expenses charged to VAST LLC for engineering and accounting services and expenses charged to us from VAST LLC for general headquarters expenses. The following table summarizes these related party transactions with VAST LLC and SAL LLC for the periods indicated below (in thousands):

	Three Months Ended		Six Months Ended	
	December 31, 2017	January 1, 2017	December 31, 2017	January 1, 2017
Sales to VAST LLC	$987	$ 50	$1,583	$ 103
Sales to SAL, LLC	$147	$ 52	$182	$ 127
Purchases from VAST LLC	$84	$ 71	$129	$ 102
Expenses Charged to VAST LLC	$171	$ 226	$383	$ 454
Expenses Charged from VAST LLC	$312	$ 349	$530	$ 758