

SI TECHNOLOGIES INC  
Form 10-Q  
December 20, 2001

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## SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

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### FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarter Ended October 31, 2001

Commission File Number 0-12370

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### SI TECHNOLOGIES, INC.

(Exact name of Registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**95-3381440**

(IRS Employer Identification Number)

**14192 Franklin Avenue, Tustin, California 92780**

(Address of principal executive offices) (Zip Code)

**714-505-6483**

(Fax: **714-505-6484**)

Registrant's telephone number, including area code

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Check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes /x/ No //

(APPLICABLE ONLY TO CORPORATE ISSUERS)

Indicate the number of shares outstanding of the issuer's common stock as of the latest practicable date. 3,579,935 shares of Common Stock, par value \$.01, on December 14, 2001.

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#### PART I FINANCIAL INFORMATION

##### ITEM 1. FINANCIAL STATEMENTS

SI TECHNOLOGIES, INC.

Consolidated Balance Sheets

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(In Thousands Except Share Data)

|   | October 31,<br>2001 | July 31,<br>2001 |
|---|---------------------|------------------|
| <b>ASSETS</b>   |                     |                  |
| Current assets:   |                     |                  |
| Cash  | \$ 562              | \$ 380           |
| Trade accounts receivable, less allowance for doubtful accounts of \$290 and \$289 respectively         | 5,920               | 5,980            |
| Inventories, net  | 8,662               | 8,584            |
| Other current assets  | 671                 | 899              |
| <b>Total current assets</b>   | <b>15,815</b>       | <b>15,843</b>    |
| Property and equipment, net   | 2,511               | 2,655            |
| Intangible assets, net  | 7,104               | 7,175            |
| Other assets  | 218                 | 237              |
|   | <b>\$ 25,648</b>    | <b>\$ 25,910</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                     |                  |
| Current liabilities:  |                     |                  |
| Current maturities of long-term debt  | 14,284              | 14,514           |
| Accounts payable  | 3,609               | 3,249            |
| Customer advances   | 58                  | 70               |
| Accrued liabilities   | 2,458               | 3,187            |
| <b>Total current liabilities</b>  | <b>20,409</b>       | <b>21,020</b>    |
| Other liabilities   | 508                 | 569              |
| Stockholders' equity  |                     |                  |
| Preferred stock, par value \$.01 per share; authorized, 2,000,000 shares; none outstanding              |                     |                  |
| Common stock, par value \$.01 per share; authorized 10,000,000 shares; 3,579,935 issued and outstanding | 36                  | 36               |
| Additional paid-in capital  | 10,377              | 10,377           |
| Retained earnings (accumulated deficit)   | (5,315)             | (5,668)          |
| Accumulated other comprehensive loss  | (367)               | (424)            |
| <b>Total stockholders' equity</b>   | <b>4,731</b>        | <b>4,321</b>     |
|   | <b>\$ 25,648</b>    | <b>\$ 25,910</b> |

See condensed notes to consolidated financial statements

SI TECHNOLOGIES, INC.

Consolidated Statements of Operations

(In Thousands Except Share Data)

(Unaudited)

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|   | For the three<br>months ended<br>October 31 |                  |
|---|---|------------------|
|   | 2001  | 2000             |
| Net sales   | \$ 8,536                                    | \$ 9,893         |
| Cost of sales   | 5,558                                       | 6,643            |
| <b>Gross profit</b>   | <b>2,978</b>                                | <b>3,250</b>     |
| Operating expenses:   |   |                  |
| Selling, general and administrative                                   | 1,893                                       | 2,308            |
| Research, development and engineering                                 | 420   | 402              |
| Amortization of intangibles   | 95  | 112              |
|   | <b>2,408</b>                                | <b>2,822</b>     |
| <b>Earnings from operations</b>                                       | <b>570</b>                                  | <b>428</b>       |
| Interest expense  | (277)                                       | (448)            |
| Other income, net   | 60  | 4                |
| <b>Earnings before income tax expense</b>                             | <b>353</b>                                  | <b>(16)</b>      |
| Income tax expense  |   | (43)             |
| <b>NET INCOME (LOSS)</b>  | <b>\$ 353</b>                               | <b>\$ (59)</b>   |
| <b>Earnings (loss) per common and common equivalent share-basic</b>   | <b>\$ 0.10</b>                              | <b>\$ (0.02)</b> |
| <b>Earnings (loss) per common and common equivalent share-diluted</b> | <b>\$ 0.10</b>                              | <b>\$ (0.02)</b> |
| <b>Weighted average shares outstanding-basic</b>                      | <b>3,579,935</b>                            | <b>3,547,123</b> |
| <b>Weighted average shares outstanding-diluted</b>                    | <b>3,579,935</b>                            | <b>3,547,123</b> |

See condensed notes to consolidated financial statements

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|  | For the three<br>months ended<br>October 31 |         |
|--|---|---------|
|  | 2001  | 2000    |
| Cash flows from operating activities:  |   |         |
| Net earnings (loss)  | \$ 353                                      | \$ (59) |
| Adjustments to reconcile net earnings (loss) to net cash provided by operating activities: |   |         |
| Depreciation and amortization  | 293   | 456     |
| Deferred lease cost  | (61)  | (52)    |
| Deferred income taxes  |   | (27)    |
| Changes in operating assets and liabilities:   |   |         |
| Trade accounts receivable  | 60  | 48      |
| Inventories  | (78)  | (295)   |
| Other current assets   | 228   | 35      |
| Accounts payable   | 360   | 320     |
| Accrued liabilities and customer advances  | (741)                                       | (170)   |
| Net cash provided by operating activities  | 414   | 256     |
| Cash flows from investing activities:  |   |         |
| Change in intangibles and other assets   | 1   | (10)    |
| Purchase of property and equipment   | (35)  | (66)    |
| Net cash used in investing activities  | (34)  | (76)    |
| Cash flows from financing activities:  |   |         |
| Net borrowings on line of credit   | 114   | 441     |
| Payments on long-term debt   | (344)                                       | (343)   |
| Net cash provided by (used in) financing activities  | (230)                                       | 98      |
| Effect of translation adjustments on cash  | 32  | (123)   |
| Net increase in cash   | 182   | 155     |
| Cash at beginning of period  | 380   | 112     |
| Cash at end of period  | \$ 562                                      | \$ 267  |

See condensed notes to consolidated financial statements

SI TECHNOLOGIES, INC.

Condensed Notes to Consolidated Financial Statements

(In Thousands Except Share Data)

(Unaudited)

**Note 1. Financial Statements**

The unaudited consolidated financial statements of the Company and its subsidiaries have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. These financial statements reflect all adjustments, consisting of only normal recurring adjustments which, in the opinion of management, are necessary to fairly present the financial position of the Company at October 31, 2001 and the results of operations for the three months ended October 31, 2001 and 2000. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire fiscal year ending July 31, 2002. This Form 10-Q should be read in conjunction with the Company's Annual Report and Form 10-KSB for the year ended July 31, 2001.

The unaudited consolidated financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. The Company had net income of \$353 for the three months ended October 31, 2001 and incurred a net loss of \$(7,128) for the year ended July 31, 2001. The Company also has a working capital deficit of \$(4,594) as of October 31, 2001 and continues to be in default of certain debt covenants with its bank.

Management has taken steps to revise its operations and financial performance as described more fully in Note 6 concerning Restructuring Charges. The Company is also in the process of attempting to renew its bank credit agreement and has signed a term sheet (see Note 4). Renewal of the credit agreement is subject to final approval by the bank. There is no assurance that the bank agreement will be renewed. The Company's ability to continue operations is dependent upon its ability to maintain adequate financing and the success of future operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Note 2. Inventories**

Inventories are stated at the lower of cost (on a first-in, first-out basis) or market and consist of the following at:

|  | <b>October 31, 2001</b> | <b>July 31,<br/>2001</b> |
|--|-------------------------|--------------------------|
|  | <b>(Unaudited)</b>      |                          |
| Raw Materials                                    | \$ 3,945                | \$ 4,354                 |
| Work in Process                                  | 1,437                   | 977                      |
| Finished Goods                                   | 4,469                   | 4,427                    |
|  | <b>9,851</b>            | <b>9,758</b>             |
| Less reserve for excess and obsolete inventories | (1,189)                 | (1,174)                  |
|  | <b>\$ 8,662</b>         | <b>\$ 8,584</b>          |

**Note 3. Segment Information**

The Company operates in two reportable business segments (1) industrial measurement, and (2) industrial automation. The Company's reportable segments are strategic business units that offer different products. They are managed separately based on the fundamental differences in their operations.

Included in the industrial measurement segment are industrial sensors and control products consisting of a wide range of NTEP and OIML approved, EX, Factory Mutual and IP rated load cells, transducers, translators and sensors. When matched with microprocessor-controlled digital electronics, they measure forces such as pressure, weight, mass and torque. Weighing Systems' products constitute the combination of load cells and microprocessor-controlled digital electronics that in combination provide for an integrated system providing weight data in both dynamic and static industrial weighing applications.

The industrial automation segment consists of load handling, moving and positioning equipment and systems for applications in manufacturing, construction and other environments in which heavy bulky materials are being transported and positioned.

## Segment Information

|   | <u>Industrial<br/>Measurement</u> | <u>Industrial<br/>Automation</u> | <u>SI Consolidated</u> |
|---|-----------------------------------|----------------------------------|------------------------|
| <b>Three months ended October 31, 2001:</b> |                                   |                                  |                        |
| Net sales                                   | \$ 6,681                          | \$ 1,855                         | \$ 8,536               |
| Cost of sales                               | 4,558                             | 1,000                            | 5,558                  |
| Gross profit                                | 2,123                             | 855                              | 2,978                  |
| Gross profit %                              | 32%                               | 46%                              | 35%                    |
| Operating expenses                          | 1,767                             | 641                              | 2,408                  |
| Earnings from operations                    | 356                               | 214                              | 570                    |
| Interest expense                            |                                   |                                  | (277)                  |
| Other income, net                           |                                   |                                  | 60                     |
| Net income                                  |                                   |                                  | \$ 353                 |
| Assets                                      | \$ 20,314                         | \$ 5,334                         | \$ 25,648              |
|   | 6                                 |                                  |                        |

|   |           |          |           |
|---|-----------|----------|-----------|
| <b>Three months ended October 31, 2000:</b> |           |          |           |
| Net sales                                   | \$ 7,760  | \$ 2,133 | \$ 9,893  |
| Cost of sales                               | 5,441     | 1,202    | 6,643     |
| Gross profit                                | 2,319     | 931      | 3,250     |
| Gross profit %                              | 30%       | 44%      | 33%       |
| Operating expenses                          | 2,145     | 677      | 2,822     |
| Earnings from operations                    | 174       | 254      | 428       |
| Interest expense                            |           |          | (448)     |
| Other income, net                           |           |          | 4         |
| Net loss before income tax expense          |           |          | (16)      |
| Income tax expense                          |           |          | (43)      |
| Net loss                                    |           |          | \$ (59)   |
| Assets                                      | \$ 26,934 | \$ 6,264 | \$ 33,198 |

**Note 4. Debt**

Current maturities of long term debt were \$14,284 as of October 31, 2001 and consisted of \$1,701 owed on the Company's European line of credit, the entire balance of the Company's U.S. term note of \$5,628, and the entire balance of the Company's U.S. revolving line of credit of \$6,955.

As of October 31, 2001, the Company was in default of certain of its debt covenants, which required that all long-term debt be classified as current obligations. The Company continues to make the scheduled principal and interest payments under the credit agreement.

On November 9, 2001, the Company signed a term sheet to amend its principal credit agreement with its bank. The Company's lender has no obligation with respect to its term sheet as it has not received all approvals required by the lender. The proposed terms provide for a revolving line of credit up to a maximum of \$6,500 with interest at prime plus 2.75%. Monthly payments on the line would be interest only with principal due November 30, 2002. The new credit agreement would provide a new term note for \$1,500 with interest at prime plus 3.25%. Monthly

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payments on the new term note would be \$25 plus interest with principal due November 30, 2002. Monthly payments on the existing note payable would be reduced to \$66 plus interest at prime plus 1.75%, with the remaining terms of the existing note unchanged. The line and both notes would be secured by substantially all of the Company's assets and would be cross-collateralized and cross-defaulted. The Company would be required to maintain certain levels of earnings before interest, taxes, depreciation and amortization, tangible net worth and fixed charge coverage and may not pay any cash dividends under terms of the term sheet.

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### Note 5. Comprehensive Income/Loss

Foreign currency assets and liabilities are translated into their U.S. dollar equivalents based on period end exchange rates. Revenue and expense accounts are translated at average exchange rates for the appropriate fiscal period. Aggregate exchange gains and losses arising from the translation of foreign assets and liabilities are included in stockholders' equity. Transaction gains and losses are included in income and have not been significant. As a result of translation adjustments, the Company's comprehensive income for the three months ended October 31, 2001 was \$410 and the comprehensive loss for three months ended October 31, 2000 was \$(182), vs. reported net income of \$353 and net loss of \$(59) for those same periods.

### Note 6. Restructuring Charge

During the quarter ended April 30, 2001, the Company began implementing a restructuring plan involving consolidation of two of its subsidiaries, Allegany Technology and Revere Transducers. Approved by the Company's Board of Directors on May 7, 2001, this plan to consolidate operations was necessitated by worsening revenue trends in some of the Company's key markets and consists of several elements, including: (1) reduction of manufacturing capacity by abandoning and/or downsizing facilities, (2) disposing of redundant assets, (3) termination of approximately 50 employees, and (4) outsourcing a significant portion of the combined operation's higher volume products. A restructuring charge of \$3,480 was recorded as of April 30, 2001. The restructuring charge was increased by \$364 in the fourth quarter ended July 31, 2001 to accrue for additional disposition of fixed assets and employee severance costs arising from management's decision to further utilize offshore manufacturing sources. The components of the restructuring charge were as follows:

| <b>Restructuring Category:</b>                       | <b>Year ended<br/>July 31, 2001</b> |
|--|-------------------------------------|
| Write-down of redundant and abandoned assets         | \$ 2,168                            |
| Abandoned facilities costs, primarily lease payments | 1,225                               |
| Employee termination costs                           | 379                                 |
| Other  | 72                                  |
| <b>Total restructuring charge</b>                    | <b>\$ 3,844</b>                     |

The Company expects to complete implementation of the restructuring plan by April 30, 2002. The initial financial benefits of plan implementation will be partially offset by certain incremental expenses that may not be included in the restructuring charge. These expenses include production inefficiencies in operations being transitioned, employee travel, relocation and training expense, and expenditures for software and professional services related to integrating information systems.

As of October 31, 2001, the Company had completed the transfer of all customer service, metal goods manufacturing, engineering and accounting functions from the Cumberland, Maryland facility to the Tustin, California facility. The consolidation of the SI/Allegany business unit is expected to be completed by January 31, 2002. Also, initial orders have been placed to offshore manufacturing sources, and these sources are expected to be operating at full capacity by April 30, 2002. Finally, the Company is negotiating with its landlord for an early termination of the Tustin facility lease, and has begun the

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process of identifying a suitable new facility. This process is expected to be completed by April 30, 2002. As of October 31, 2001, the Company has a remaining accrual of \$953 attributable to the restructuring.

### Note 7. Income Tax Expense

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For the quarter ended October 31, 2001, no income tax expense was recognized because of the 100% valuation allowance related to the Company's deferred tax assets.

### **Note 8. Basic and Diluted Earnings (Loss) Per Common and Common Equivalent Share**

For the three months ended October 31, 2001, there was no effect of dilutive securities on earnings (loss) per common and common equivalent share. For the three months ended October 31, 2000, the effect of dilutive securities on earnings (loss) per common and common equivalent share was anti-dilutive.

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## **ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

(Dollars in Thousands)

### **General**

SI Technologies, Inc. and Subsidiaries ("SI" or the "Company") is a designer, manufacturer and marketer of high-performance industrial sensors, weighing and factory automation systems, and related products. Acquisitions over the past five years have diversified the Company's revenue base and positioned SI Technologies as an integrator of technologies, products and companies that are enabling SI to become a leading global provider of devices, equipment and systems that handle, measure and inspect goods and materials. SI products are used throughout the world in a wide variety of industries, including aerospace, agriculture, aviation, food processing and packaging, forestry, manufacturing, mining, transportation/distribution and waste management.

### **Products and Services**

#### **Industrial Measurement**

The Company's industrial sensor and control products consist of a wide range of NTEP and OIML approved, EX, Factory Mutual and IP rated load cells, transducers, translators and sensors. These devices, representing a core SI technology, are electromechanical components that convert a physical force to an electrical signal. When matched with microprocessor-controlled digital electronics, they measure forces such as pressure, weight, mass and torque. Commercially, the products are used for measurement, inspection and control. SI sensor and control products are principally used in electronic weighing equipment; batching, blending, mixing, fill-by-weight and product inspection operations and, machinery operation and control systems. SI controls/instrumentation is normally designed as an integral part of a complete weighing system. In recent years, SI instrumentation has been expanded to provide users with the ability to acquire, record in memory and download to management information systems operational information other than weight information. In this expanded capacity, SI instrumentation becomes a critical link between operations and management information systems.

SI designs and manufactures dynamic and static electronic weighing equipment and systems for use in a wide array of industrial applications. As a result of the uniqueness of the Company's combined sensor, weighing and automation system technologies, SI is one of few manufacturers in the industry who design and manufacture all three of the primary components of an electronic scale. These components are the load-handling structure, sensors and instrumentation. Many manufacturers of conventional scale systems manufacture only load-handling structures, outsourcing to industry suppliers their sensor and instrumentation requirements. The Company utilizes its expertise and manufacturing know-how in each of these critical components to competitive advantage and believes its broad expertise can be exploited through its acquisition/integration growth strategy.

#### **Industrial Automation**

SI's industrial automation products consist of load handling, moving and positioning equipment and systems. These products often utilize highly specialized air-bearing movement systems to move loads of any weight efficiently and with extreme precision. Air bearings are air-cushion devices that are used to "float" heavy loads on a thin film of air. Additionally, the Company manufactures systems utilizing water bearings for use in large outdoor applications where water is used as the flotation medium rather than air. These products, marketed under the trade names *AeroCaster*, *AeroGo*, *AeroPallets*, *AeroPlanks* and *AirShuttle* are the world leaders in practical and efficient methods of movement, transfer, location, rotation and alignment of materials and products weighing from several hundred pounds to more than 6,000 tons.

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The Company's industrial automation product line comprises two distinct categories. The first is a standard product line of rugged, industrial, off-the-shelf air-cushion devices that allow a single person to easily and safely move loads weighing from a few hundred pounds to many tons. Standard products routinely move manufacturing fixtures, printing press bulky paper rolls, jet engines, and other heavy loads. The other category of the product line consists of engineered products. Engineered products and specialized systems designed and manufactured by the Company in recent years are currently moving 100,000-pound dies, launching ships, moving 4,500-ton stadium sections, transporting aerospace booster rockets and moving large assemblies in and out of assembly line operations in numerous heavy equipment manufacturing facilities.

### ***Results of Operations***

#### ***Sales***

Net sales decreased by 14% to \$8,536 for the quarter ended October 31, 2001 from \$9,893 for the same period in the prior fiscal year. The decrease in sales is primarily attributable to continuation of the global manufacturing recession's impact on capital equipment markets. The decline was similar across all product lines in all business units.

#### ***Gross Profit***

As a result of the lower sales volume noted above, gross profit in the first quarter decreased by 8% to \$2,978 when compared to the gross profit reported for the same period in the prior fiscal year of \$3,250. Gross profit as a percentage of sales was 35% in this year's first quarter, as compared to 33% for the same period of the prior fiscal year. The gross profit decrease resulting from the lower sales volume was partially offset by the initial benefits of the cost reductions and outsourcing of manufacturing in the Company's restructuring plan.

#### ***Selling, General and Administrative Expenses***

SG & A expenses decreased 18% to \$1,893 in the quarter October 31, 2001 as compared to \$2,308 for the same period in the prior fiscal year. SG & A expense reductions are primarily the result of integrating sales and administrative organizations in connection with the Company's restructuring plan. Lower sales volumes also contributed to lower selling expenses during both periods by reducing commissions. SG & A as a percentage of sales remained consistent.

#### ***Research, Development and Engineering Expenses***

RD & E expenditures increased by 4% to \$420 for the quarter ended October 31 2001, as compared to \$402 for the same period in the prior fiscal year. Engineering support of outsourcing activities and certain new product development projects required the Company to maintain RD&E staffing and expense at similar levels year over year.

#### ***Interest Expense***

For the three months ended October 31, 2001, lower interest rates helped decrease interest expense to \$277 as compared to \$448 for the same period in the prior fiscal year.

#### ***Income Tax Expense***

Income tax expense for the three months ended October 31, 2001 was \$0 and \$43 due to fluctuations in pretax income. The effective tax rate for the Company in all periods differs from the U.S. federal corporate income tax rate, primarily due to the impact of non-deductible

intangible asset amortization, state income taxes and valuation allowances related to deferred tax assets.

#### ***Inflation***

Historically, the impact of inflation has been negligible, as the Company has been able to offset the effects through efficiency improvements.

**Liquidity and Capital Resources**

At October 31, 2001 the Company's cash position was \$562 compared to \$380 at July 31, 2001. Cash available in excess of that required for general corporate purposes is used to reduce borrowings under the Company's line of credit. Working capital improved to a deficit of \$(4,594) at October 31, 2001 from a deficit of \$(5,177) at July 31, 2001. This significant deficit in working capital was principally caused by the Company's violation of certain of its debt covenants at October 31, 2001 and July 31, 2001, which required that all long-term debt be classified as current obligations.

The Company's existing capital resources consist of cash balances and funds available under its line of credit, which are increased or decreased by cash provided by or used in operating activities. Cash provided by operating activities for the three months ended October 31, 2001 was \$414 as compared with \$256 for the same period in the prior fiscal year.

The Company's cash requirements consist of its general working capital needs, capital expenditures, and obligations under its leases and notes payable. Working capital requirements include the salary costs of employees and related overhead and the purchase of material and components. The Company anticipates capital expenditures of approximately \$200 in fiscal 2002 as compared to \$306 in fiscal 2001.

In November 2001, the Company signed a term sheet to amend its principal credit agreement with its bank. The Company's lender has no obligation with respect to its term sheet as it has not received all approvals required by the lender. The proposed terms provide for a revolving line of credit up to a maximum of \$6,500 with interest at prime plus 2.75%. Monthly payments on the line would be interest only with principal due November 30, 2002. The new credit agreement would provide a new term note for \$1,500 with interest at prime plus 3.25%. Monthly payments on the new term note would be \$25 plus interest with principal due November 30, 2002. Monthly payments on the existing note payable would be reduced to \$66 plus interest at prime plus 1.75%, with the remaining terms of the existing note unchanged. The line and both notes would be secured by substantially all of the Company's assets and would be cross-collateralized and cross-defaulted. The Company would be required to maintain certain levels of earnings before interest, taxes, depreciation and amortization, tangible net worth and fixed charge coverage and may not pay any cash dividends under terms of the term sheet.

**Information Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts included in the preceding discussion regarding the Company's financial position, business strategy and plans of management for future operations are forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct.

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**PART II OTHER INFORMATION**

**Item 6 Exhibits and Reports on Form 8-K**

- (a) Exhibits to Part II
- None
- (b) Reports on Form 8-K

There were no reports on Form 8-K filed during the quarter.

The items omitted are either inapplicable or are items to which the answer is negative.

**Signatures**

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

**SI TECHNOLOGIES, INC.**

By:           /s/ RICK A. BEETS

\_\_\_\_\_  
Rick A. Beets  
*President and CEO*

December 20, 2001

          /s/ ANDREW M. FITE

\_\_\_\_\_  
Andrew M. Fite  
*Chief Financial Officer*

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SI TECHNOLOGIES, INC. Consolidated Balance Sheets (In Thousands Except Share Data)

SI TECHNOLOGIES, INC. Consolidated Statements of Operations (In Thousands Except Share Data) (Unaudited)

SI TECHNOLOGIES, INC. Consolidated Statements of Cash Flows (In Thousands Except Share Data) (Unaudited)

SI TECHNOLOGIES, INC. Condensed Notes to Consolidated Financial Statements (In Thousands Except Share Data) (Unaudited)

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

PART II OTHER INFORMATION

Item 6 Exhibits and Reports on Form 8-K

Signatures