SI TECHNOLOGIES INC
Form PRER14A
March 08, 2005
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Rule 14a-12

¨ **Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

SI TECHNOLOGIES, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of filing fee (check the appropriate box):

¨ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

Common Stock, par value $0.01 per share, of SI Technologies, Inc.

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

4,126,996 shares of Common Stock, options to purchase 465,000 shares of Common Stock and warrants to purchase 168,824 shares of Common Stock

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

The filing fee was determined based upon the aggregate merger consideration equal to the sum of (i) the product of 4,126,996 shares of Common Stock outstanding and the merger consideration of $4.00 per share (which equals $16,507,984), (ii) the product of $1.91 per share (which is the difference between $4.00 and the average weighted exercise price of $2.09) and options to purchase 465,000 shares of Common Stock (which equals $888,150) and (iii) the product of $1.50 per share (which is the difference between $4.00 and the exercise price of $2.50) and warrants to purchase 168,824 shares of Common Stock (which equals $253,236) The filing fee was determined by multiplying the sum of the preceding sentence, $17,649,370, by 0.00011770.

(4) Proposed maximum aggregate value of transaction:

$17,649,370

(5) Total fee paid:

$2,077

x Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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14192 Franklin Avenue

Tustin, California 92780

[ ], 2005

Dear Stockholder:

You are cordially invited to attend a special meeting of stockholders of SI Technologies, Inc. to be held at [ ], at 10:00 a.m., local time, on [ ], [ ], 2005. Holders of record of SI common stock on [ ], 2005 will be entitled to vote at the special meeting or any adjournment or postponement of that meeting.

At the special meeting, we will ask you to consider and vote to adopt and approve the merger agreement that we entered into on December 22, 2004 with Vishay Intertechnology, Inc. and a wholly owned subsidiary of Vishay. As a result of the merger, SI will become a wholly owned subsidiary of Vishay.

In the merger, each share of our common stock, $0.01 par value per share, will be converted into the right to receive $4.00 in cash, without interest. If the merger is completed, you will no longer have an ownership interest in the continuing business of SI. We cannot complete the merger unless all of the conditions to closing are satisfied or waived, including the adoption and approval of the merger agreement by holders of a majority of the outstanding shares of SI common stock.

Our board of directors carefully reviewed and considered the terms and conditions of the merger agreement and the merger. Based on its review, our board of directors has unanimously determined that the terms of the merger agreement and the merger are advisable, fair to and in the best interests of SI and our stockholders.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ADOPTION AND APPROVAL OF THE MERGER AGREEMENT. YOUR VOTE IS IMPORTANT.

In the material accompanying this letter, you will find a Notice of Special Meeting of Stockholders, a proxy statement relating to the actions to be taken by our stockholders at the special meeting and a proxy card. The proxy statement includes important information about the merger agreement and the merger. The proxy statement is qualified in its entirety by reference to the merger agreement attached as Annex A to the proxy statement. We encourage you to read the proxy statement and the merger agreement carefully and in their entirety.

All of our stockholders are invited to attend the special meeting in person. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, SIGN, DATE AND RETURN YOUR PROXY CARD IN THE ENCLOSED ENVELOPE AS INSTRUCTED IN THESE MATERIALS. IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AND VOTED AT THE

SPECIAL MEETING. If you attend the special meeting, you may vote in person as you wish, even though you have previously returned your proxy card.

On behalf of the board of directors, I thank you for your support and urge you to vote FOR the adoption and approval of the merger agreement.

Sincerely,

MARVIN MOIST,

President and Chief Executive Officer

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NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

OF SI TECHNOLOGIES, INC.

To Be Held On [ ], 2005

Dear Stockholder:

Notice is hereby given that a Special Meeting of Stockholders of SI Technologies, Inc., a Delaware corporation, or SI, will be held at [ ], at 10:00 a.m., local time, on [ ], [ ], 2005, for the following purposes:

1. To consider and vote upon a proposal to adopt and approve the Agreement and Plan of Merger, dated as of December 22, 2004, by and among Vishay Intertechnology, Inc., Vishay SI Technologies, Inc., a wholly owned subsidiary of Vishay, and SI;

2. To grant the persons named as proxies discretionary authority to vote to adjourn or postpone the Special Meeting, if necessary, to permit the further solicitation of proxies in the event there are not sufficient votes to adopt and approve the merger agreement; and

3. To transact any and all other business that may properly come before the Special Meeting or any postponement or adjournment of the Special Meeting.

The board of directors of SI has unanimously determined that the terms of the merger agreement and the merger are advisable, fair to and in the best interests of SI and our stockholders and recommends that you vote to adopt and approve the merger agreement. The terms of the merger agreement and the merger are more fully described in the attached proxy statement, which we urge you to read carefully and in its entirety. The board of directors of SI also recommends that you expressly grant the authority to the persons named as proxies to vote your shares to adjourn or postpone the Special Meeting, if necessary, to permit the further solicitation of proxies if there are not sufficient votes at the time of the Special Meeting to adopt and approve the merger agreement. We are not aware of any other business to come before the Special Meeting.

Stockholders of record at the close of business on [ ], 2005 are entitled to notice of and to vote at the Special Meeting and any adjournment or postponement of the Special Meeting. You should contact the Secretary of SI at SI s corporate headquarters if you wish to review a list of the stockholders entitled to vote at the meeting. All stockholders are cordially invited to attend the Special Meeting in person. Adoption and approval of the merger agreement will require the affirmative vote of the holders of a majority of outstanding shares of SI common stock.

You will have the right to dissent from the merger, demand appraisal of your shares of common stock and obtain payment in cash for the fair value of your shares of common stock, but only if you submit a written demand for an appraisal before the vote is taken on the merger agreement and comply with the applicable provisions of Delaware law. A copy of the Delaware statutory provisions relating to such appraisal rights is included as Annex D to the attached proxy statement and a summary of these provisions can be found under the section entitled Appraisal Rights in the attached proxy statement.

Do not send any certificates representing shares of SI common stock with your proxy card. After the effective time of the merger, instructions regarding the procedure to exchange your stock certificates for the cash merger consideration will be sent to you.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ADOPTION AND APPROVAL OF THE MERGER AGREEMENT. YOUR VOTE IS IMPORTANT.

Even if you plan to attend the Special Meeting in person, we request that you complete, sign, date and return the enclosed proxy, as instructed in these materials, to ensure that your shares will be represented at the Special Meeting if you are unable to attend. If you sign, date and mail your proxy card without indicating how you wish

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to vote, your proxy will be counted as a vote in favor of adoption and approval of the merger agreement. If you fail to either return your proxy card or to vote in person, your shares will not be counted for purposes of determining whether a quorum is present at the Special Meeting and such inaction will have the same effect as a vote against adoption and approval of the merger agreement. If you do attend the Special Meeting and wish to vote in person, you may withdraw your proxy and vote in person. If your shares are held in the name of your broker, bank or other nominee, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the Special Meeting.

No person has been authorized to give any information or to make any representations other than those set forth in the proxy statement in connection with the solicitation of proxies made hereby, and, if given or made, such information must not be relied upon as having been authorized by SI or any other person.

By Order of the Board of Directors,

MARVIN MOIST,

President and Chief Executive Officer

Tustin, California

[ ], 2005

The proxy statement is dated [ ], 2005 and is first being mailed to stockholders of SI on or about [ ], 2005.

Neither the United States Securities and Exchange Commission nor any state securities regulator has approved or disapproved the merger described in the proxy statement or determined if the proxy statement is adequate or accurate. Any representation to the contrary is a criminal offense.

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SUMMARY TERM SHEET

This summary highlights summarizes the material information in this proxy statement and may not contain all of the information you may consider important in determining how to vote on the merger. To understand the merger fully and for a more complete description of the legal terms of the merger, you should read carefully this entire proxy statement and the documents to which we refer. See also Other Matters Where You Can Find More Information (page 48). We have included page references in parentheses to direct you to a more complete description of the topics presented in this summary. The merger agreement is attached as Annex A to this proxy statement. We encourage you to read the merger agreement as it is the legal document that governs the merger. In this proxy statement, unless the context otherwise suggests, we refer to SI Technologies, Inc. and its subsidiaries as SI, we and us.

Parties to the Merger (page 7)

SI Technologies, Inc. We design, manufacture and market high-performance industrial sensors, weighing and factory automation systems, and related products. Our principal executive offices are located at 14192 Franklin Avenue, Tustin, California 92780, and our telephone number is (714) 505-6483.

Vishay Intertechnology, Inc. Vishay Intertechnology, Inc., a Fortune 1,000 company listed on the New York Stock Exchange, is one of the world s largest manufacturers of discrete semiconductors (diodes, rectifiers, transistors, optoelectronics, and selected ICs) and passive electronic components (resistors, capacitors, inductors, and transducers). Vishay s principal executive offices are located at 63 Lincoln Highway, Malvern, Pennsylvania 19355, and its telephone number is (610) 644-1300.

Vishay SI Technologies, Inc. Vishay SI Technologies, Inc., or Merger Sub, is a wholly owned subsidiary of Vishay formed exclusively for the purpose of effecting the merger. Merger Sub has not engaged in any business activity other than in connection with the merger. Merger Sub s principal executive offices are located at 63 Lincoln Highway, Malvern, Pennsylvania 19355, and its telephone number is (610) 644-1300.

The Special Meeting (page 8)

The Special Meeting will be held at [ ], at 10:00 a.m., local time, on [ ], [ ], 2005, to consider and vote upon (1) the proposal to adopt and approve the merger agreement, (2) the proposal to grant the persons named as proxies discretionary authority to adjourn or postpone the Special Meeting, if necessary, to permit the further solicitation of proxies in the event there are not sufficient votes to adopt and approve the merger agreement and (3) any and all other business that may properly come before the Special Meeting or any postponement or adjournment of the Special Meeting.

The Merger (page 11)

Under the Agreement and Plan of Merger, dated as of December 22, 2004, by and among Vishay, Merger Sub and SI, or the merger agreement, at the effective time of the merger, Merger Sub will merge with and into SI, and as a result SI will become a wholly owned subsidiary of Vishay. Our stockholders will receive $4.00 cash in exchange for their SI common stock.

Recommendation of Our Board of Directors and Reasons for the Merger (page 16)

In the course of reaching its decision to adopt and approve the merger agreement and to recommend that you adopt and approve the merger agreement, our board of directors considered a number of positive and negative factors in its deliberations. Those factors are described in this proxy statement beginning on page 16.

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Opinion of Financial Advisor (page 19)

On December 21, 2004, Roth Capital Partners, LLC delivered its oral opinion to our board of directors (which was confirmed in writing). The opinion stated that, as of the date of the opinion, the merger consideration to be received by the SI stockholders was fair, from a financial point of view, to such stockholders.

The full text of this opinion, which sets forth the assumptions made, matters considered and limitations on the reviews undertaken by Roth Capital Partners in connection with its opinion, is attached as Annex C to this proxy statement. Roth Capital Partners provided its opinion for the information and assistance of our board of directors in connection with its consideration of the merger. The opinion of Roth Capital Partners is not a recommendation as to how you should vote with respect to the merger agreement. We urge you to read the opinion carefully and in its entirety.

Interests of Our Directors and Executive Officers in the Merger (page 27)

In considering the recommendation of our board of directors to vote in favor of the merger agreement, you should be aware that there are provisions of the merger agreement and other agreements that will result in certain benefits to certain of our directors, executive officers and employees. These interests are described in this proxy statement beginning on page 27. Our board of directors was aware of these interests and considered them among other factors in making its recommendation.

Material United States Federal Income Tax Consequences (page 28)

The merger will be taxable for U.S. federal income tax purposes. Generally, this means that you will recognize taxable gain or loss equal to the difference between the cash you receive in the merger as consideration and your adjusted tax basis in your shares. Tax matters can be complicated and the tax consequences of the merger to you will depend on the facts of your situation. You should consult your own tax advisor to understand fully the tax consequences of the merger to you.

The Merger Agreement

No Solicitation by SI (page 38). Until the effective time of the merger or the termination of the merger agreement, we have agreed to significant limitations on our ability to take action with respect to other proposed acquisition or merger transactions. However, nothing in the merger agreement prevents our board of directors, prior to the date our stockholders adopt and approve the merger agreement and after our board of directors reasonably determines in good faith (after due consultation with outside counsel) that it is or is reasonably likely to be required to do so in order to discharge properly its fiduciary duties, from giving information to and negotiating with a third party that has made a bona fide proposal that our board of directors concludes in good faith (after consulting with our financial advisor in the case of a proposal that provides for consideration other than all cash) would, if consummated, be reasonably likely to constitute a superior proposal.

Conditions to the Merger (page 40). The obligations of Vishay, Merger Sub and SI to complete the merger are subject to the adoption and approval of the merger agreement by the SI stockholders and the satisfaction or waiver of other specified conditions.

Termination of the Merger Agreement (page 42). Vishay and SI may each terminate the merger agreement under specified circumstances.

Termination Fee and Expenses (page 43). The merger agreement requires us to pay Vishay a termination fee in the amount of $750,000 plus expenses up to $250,000 if the merger agreement is terminated under certain circumstances. With limited exceptions, whether or not the merger is completed, all costs and expenses incurred shall be paid by the party incurring such expense, except if the merger agreement is terminated under certain circumstances.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What will happen to options and warrants to purchase SI common stock as a result of the merger?

A: Each holder of an SI stock option or warrant outstanding immediately prior to the closing of the merger will be entitled to receive, upon exercise of such option or warrant and the payment of the exercise price, $4.00, net of any applicable withholding taxes. Alternatively, each holder may, in lieu of exercise, elect to have his or her option or warrant cancelled at the effective time of the merger, in which case the holder will be entitled to receive a cash payment equal to the product of (1) the excess, if any, of the merger consideration over the per share exercise price of the stock option or warrant, multiplied by (2) the aggregate number of shares of SI common stock subject to such option or warrant immediately prior to the effective time of the merger (without interest and subject to any applicable withholding taxes). A holder of a stock option or warrant with an exercise price in excess of $4.00 will not be entitled to any payment in respect of such option or warrant.

Q: Will my cash payment be affected by changes in the market price for SI common stock?

A: No. The cash payment for each share of SI common stock will not change based on any changes in the market price of SI common stock.

Q: Who is entitled to vote at the Special Meeting?

Holders of record of SI common stock as of the close of business on [ ], 2005 are entitled to vote at the Special Meeting.

Q: What vote of our stockholders is required to adopt and approve the merger agreement?

A: To adopt and approve the merger agreement, stockholders of record holding at least a majority of the outstanding shares of SI common stock entitled to vote at the Special Meeting must vote FOR the adoption and approval of the merger agreement. There are [ ] shares of SI common stock entitled to be voted at the Special Meeting.

Stockholders holding approximately 41% of our outstanding common stock have agreed with Vishay to vote in favor of the adoption and approval of the merger agreement.

Q: Am I entitled to appraisal rights if the merger is completed?

A: Yes. Under Section 262 of the Delaware General Corporation Law, if the merger is completed you will have the right to seek appraisal of the fair value of your shares as determined by the Delaware Court of Chancery, but only if you submit a written demand for an appraisal before the

vote on the merger agreement, do not vote in favor of the merger agreement and comply with the Delaware law procedures explained in this proxy statement. The relevant provisions of the Delaware General Corporation Law are attached as Annex D to this proxy statement.

Q: What do I need to do now?

A: We urge you to read this proxy statement carefully, including its annexes, and consider how the merger affects you. Then mail your completed, dated and signed proxy card in the enclosed return envelope as soon as possible so that your shares can be voted at the Special Meeting.

Q: Should I send in my stock certificates now?

A: No. After the merger is completed, you will receive a letter of transmittal and written instructions for surrendering your stock certificates and exchanging your shares of SI common stock for the cash merger consideration.

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Q: When and where is the Special Meeting?

A: The Special Meeting will be held on , , 2005 at .

Q: How can I vote on the merger agreement?

A: To vote, you can either (1) complete, sign, date and return the enclosed proxy card or (2) attend the Special Meeting and vote in person. Even if you plan to attend the Special Meeting in person, we encourage you to return your signed proxy card to ensure that your shares are voted. If your shares are held in street name by your broker, bank or other nominee, you should instruct your broker or bank to vote your shares by following the instructions provided by such broker or bank.

Q: May I vote in person?

A: Yes. You may vote in person at the Special Meeting, even if you have signed and returned your proxy card. If your shares are held in street name through a broker or bank, you must provide a legal proxy from your broker or bank and present it at the Special Meeting in order to vote in person. You may be asked to present photo identification for admittance to the Special Meeting.

Q: What happens if I do not vote?

A: The failure to return your proxy card and the failure to vote in person at the Special Meeting will have the same effect as voting against adoption and approval of the merger agreement.

Q: If I send in my proxy card but forget to indicate my vote, how will my shares be voted?

A: If you sign and return your proxy card but do not indicate how to vote your shares at the Special Meeting, the shares represented by your proxy card will be voted FOR adoption and approval of the merger agreement.

Q: May I change my vote after I have mailed my signed proxy card?

A: Yes. You may change your vote at any time before the shares reflected on your proxy card are voted at the Special Meeting. You can do this in one of three ways. First, you can send a written, dated notice to our Secretary stating that you would like to revoke your proxy. Second, you can complete, sign, date and submit a new proxy card. Third, you can attend the Special Meeting and vote in person. Your attendance alone will not revoke your proxy. If you choose any of the first two methods, your notice of revocation or your new proxy card must be received prior to

the Special Meeting. If you have instructed a broker or bank to vote your shares, you must follow the directions received from your broker or bank to change your instructions.

Q: If my shares are held in street name by my broker or bank, will my broker or bank vote my shares for me?

A: Your broker or bank will not vote your shares without instructions from you. You should instruct your broker or bank to vote your shares, following the procedures provided by your broker or bank. Without instructions, your shares will not be voted by your broker or bank, which will have the same effect as voting against adoption and approval of the merger agreement.

Q: When do you expect the merger to be completed?

A: We anticipate that the merger will be completed promptly following the Special Meeting, assuming our stockholders adopt and approve the merger agreement. However, in addition to obtaining stockholder approval, other closing conditions must be satisfied or waived by SI and Vishay.

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Q: When will I receive the cash consideration for my shares of SI common stock?

A: After the merger is completed, you will receive written instructions, including a letter of transmittal, that explain how to exchange your shares of SI common stock for the cash consideration paid in the merger. Once you properly return and complete the required documentation as described in the written instructions, you will promptly receive from the paying agent the cash payment for your shares of SI common stock.

Q: Who can help answer my questions?

A: If you would like additional copies, without charge, of this proxy statement or if you have questions about the merger, including the procedures for voting your shares or the completion of the proxy card, you should contact us as follows:

SI Technologies, Inc.

Attn: Secretary

14192 Franklin Avenue

Tustin, California

Telephone: (714) 505-6483

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this proxy statement relating to the closing of the merger and other future events are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties that could cause actual results to differ materially, including risks relating to receiving the approval of holders of a majority of our outstanding shares, satisfying other conditions to the closing of the merger and other matters.

For a detailed discussion of these and other risk factors, please refer to our filings with the Securities and Exchange Commission, or the SEC, on Forms 10-K, 10-Q and 8-K. You can obtain copies of our Forms 10-K, 10-Q and 8-K and other filings for free at the SEC website at www.sec.gov or for a fee from commercial document retrieval services.

We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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PARTIES TO THE MERGER AGREEMENT

SI Technologies, Inc.

We design, manufacture and market high-performance industrial sensors, weighing and factory automation systems, and related products. Our products are used around the world in a wide variety of industries, including aerospace, agriculture, aviation, food processing and packaging, forestry, manufacturing, mining, transportation/distribution and waste management.

Our common stock is quoted on the Nasdaq SmallCap Market under the symbol SISI. We are incorporated under the laws of the State of Delaware. Our corporate headquarters are located at 14192 Franklin Avenue, Tustin, California 92780, and our telephone number is (714) 505-6483. Our website is www.sitechnologies.com. Information contained on our website does not constitute a part of this proxy statement.

Vishay Intertechnology, Inc.

Vishay Intertechnology, Inc., a Fortune 1,000 company, is one of the world s largest manufacturers of discrete semiconductors (diodes, rectifiers, transistors, optoelectronics, and selected ICs) and passive electronic components (resistors, capacitors, inductors, and transducers). Vishay s components can be found in products manufactured in a very broad range of industries worldwide. Vishay has operations in 17 countries employing over 26,000 people.

Vishay s common stock is quoted on the New York Stock Exchange under the symbol VSH. Vishay is incorporated under the laws of the State of Delaware. Vishay s corporate headquarters are located at 63 Lincoln Highway, Malvern, Pennsylvania 19355 and its telephone number is (610) 644-1300. Vishay s website is www.vishay.com. Information contained on Vishay s website does not constitute part of this proxy statement.

Vishay SI Technologies, Inc.

Vishay SI Technologies, Inc., or Merger Sub, was incorporated under the laws of the State of Delaware on December 20, 2004 exclusively for the purpose of effecting the merger. Merger Sub is a wholly owned subsidiary of Vishay and has not engaged in any business activity other than in connection with the merger. Merger Sub s corporate headquarters are located at 63 Lincoln Highway, Malvern, Pennsylvania 19355 and its telephone number is (610) 644-1300.

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THE SPECIAL MEETING

We are furnishing this proxy statement to you as part of the solicitation of proxies by our board of directors for use at the Special Meeting.

Date, Time and Place

The Special Meeting will be held at [ ], at 10:00 a.m., local time, on [ ], [ ], 2005.

Purpose of the Special Meeting

At the Special Meeting, you will be asked to consider and vote upon the adoption and approval of the merger agreement. Our board of directors has unanimously (1) determined that the merger is fair to, and in the best interests of, us and our stockholders, (2) approved the merger agreement, (3) declared the merger advisable to our stockholders and (4) recommended that our stockholders adopt and approve the merger agreement. If necessary, you will also be asked to vote on a proposal to grant the persons named as proxies discretionary authority to vote to adjourn or postpone the Special Meeting to permit further solicitation of proxies in the event there are not sufficient votes to adopt and approve the merger agreement.

Record Date; Stock Entitled to Vote; Quorum

Only holders of record of SI common stock at the close of business on [ ], 2005, the record date, are entitled to notice of and to vote at the Special Meeting or any adjournments or postponements of the Special Meeting. As of the close of business on the record date, [ ] shares of SI common stock were issued and outstanding and held by approximately [ ] holders of record. A quorum will be present at the Special Meeting if a majority of the outstanding shares of SI common stock entitled to vote on the record date are represented in person or by proxy. Abstentions and broker non-votes will be counted for purposes of determining the existence of a quorum. In the event that a quorum is not present at the Special Meeting, or there are not sufficient votes at the time of the Special Meeting to adopt and approve the merger agreement, it is expected that the meeting will be adjourned or postponed to solicit additional proxies if the holders of a majority of the shares of our common stock present, in person or by proxy, and entitled to vote at the Special Meeting approve an adjournment or postponement. Holders of record of SI common stock on the record date are entitled to one vote per share at the Special Meeting on each proposal presented.

Vote Required

The adoption and approval of the merger agreement requires the affirmative vote of holders of at least a majority of the outstanding shares of SI common stock entitled to vote at the Special Meeting. **If you abstain from voting or do not vote, either in person or by proxy, it will have the same effect as a vote against the adoption and approval of the merger agreement**. The approval of the grant of authority to vote to adjourn or postpone the Special Meeting requires the affirmative vote of the holders of a majority of the shares of SI common stock present, in person or by proxy, and entitled to vote at the Special Meeting.

Voting by Certain Stockholders

Pursuant to stockholder agreements, certain of our directors and certain of their spouses who own SI common stock have agreed to vote their shares of SI common stock in favor of the merger agreement. The following directors entered into stockholder agreements with Vishay: Ralph Crump, Rick Beets, Edward Alkire and Scott Crump. The stockholder agreements cover 1,692,147 shares of SI common stock, or approximately 41% of the outstanding shares of SI common stock as of the record date. See The Stockholder Agreements.

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Voting of Proxies

All shares represented by properly executed proxies received in time for the Special Meeting will be voted at the Special Meeting in the manner specified by the stockholders. Properly executed proxies that do not contain voting instructions will be voted FOR the adoption and approval of the merger agreement and FOR approval of the proposal to grant the persons named as proxies discretionary authority to vote to adjourn or postpone the Special Meeting if necessary.

To vote, please complete, sign, date and return the enclosed proxy card. If you attend the Special Meeting and wish to vote in person, you may withdraw your proxy and vote in person. If your shares are held in the name of your broker, bank or other nominee, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the Special Meeting. See Shares Registered in the Name of a Broker or Bank.

Shares of SI common stock represented at the Special Meeting but not voted, including shares of SI common stock for which proxies have been received but for which stockholders have abstained, will be treated as present at the Special Meeting for purposes of determining the presence or absence of a quorum for the transaction of all business.

Only shares affirmatively voted for the adoption and approval of the merger agreement, including properly executed proxies that do not contain voting instructions, will be counted for that proposal. If you abstain from voting, it will have the same effect as a vote against the adoption and approval of the merger agreement and as a vote against the proposal to grant authority to vote to adjourn or postpone the Special Meeting if necessary. Your failure to execute and return a proxy card or otherwise vote at the Special Meeting will have the same effect as a vote against the adoption and approval of the merger agreement and will have no effect on the proposal to grant authority to vote to adjourn or postpone the Special Meeting if necessary.

Brokers or banks who hold shares in street name for customers have the authority to vote on routine proposals when they have not received instructions from beneficial owners. However, brokers and banks are precluded from exercising their voting discretion with respect to approval of non-routine matters, such as the adoption and approval of the merger agreement and, as a result, absent specific instructions from the beneficial owner of such shares, brokers and banks are not empowered to vote those shares, referred to generally as broker non-votes. Broker non-votes will be treated as shares that are present and entitled to vote at the Special Meeting for purposes of determining whether a quorum exists and will have the same effect as votes against the adoption and approval of the merger agreement. Broker non-votes will have no effect on the proposal to grant the persons named as proxies the authority to vote to adjourn or postpone the Special Meeting if necessary.

We do not expect that any matter other than the proposal to adopt and approve the merger agreement and, if necessary, the proposal to grant the persons named as proxies discretionary authority to vote to adjourn or postpone the Special Meeting will be brought before the Special Meeting. If, however, any other matters are properly presented at the Special Meeting, the persons named as proxies will vote in accordance with their judgment as to matters that they believe to be in the best interests of our stockholders.

Shares Registered in the Name of a Broker or Bank

Most beneficial owners whose stock is held in street name receive instructions for granting proxies from their banks, brokers or other agents, rather than from our proxy card. If you hold your shares in street name, to vote by proxy you must instruct your bank, broker or nominee to vote

your shares by following the procedures specified by such bank, broker or nominee. If you want to vote in person at the Special Meeting, you must request a proxy in your name from your bank, broker or nominee.

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Revocability of Proxies

The grant of a proxy on the enclosed proxy card does not preclude you from voting in person at the Special Meeting. You may revoke your proxy at any time before the shares reflected on your proxy card are voted at the Special Meeting by:

filing with our Secretary a properly executed and dated revocation of proxy;

submitting a properly completed, executed and dated proxy card to our Secretary bearing a later date; or

appearing at the Special Meeting and voting in person.

If you choose to revoke your proxy by one of the first two methods, your revocation of proxy or subsequent proxy must be received prior to the Special Meeting.

Your attendance at the Special Meeting will not alone constitute the revocation of a proxy. If you have instructed your broker or bank to vote your shares, you must follow the directions received from your broker or bank to change your instructions.

Solicitation of Proxies

All proxy solicitation costs will be borne by us. In addition to solicitation by mail, our directors, officers, employees and agents may solicit proxies from stockholders by telephone or other electronic means or in person. We will reimburse brokers and other custodians, nominees and fiduciaries for their expenses in sending these materials to you and getting your voting instructions.

You should not send your stock certificates with your proxy. A letter of transmittal with instructions for the surrender of SI common stock certificates will be mailed to our stockholders after the effective time of the merger.

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THE MERGER

The discussions under the sections of this proxy statement entitled The Merger and The Merger Agreement summarize the material terms of the merger. These summaries may not contain all of the information which you may consider important in considering how to vote on the merger agreement. We urge you to read this proxy statement, the merger agreement and the other documents referred to herein carefully for a more complete understanding of the merger. The merger agreement is attached as Annex A to this proxy statement.

Background of the Merger

During the past several years our board of directors and management have on a regular basis reviewed our options for achieving long-term strategic goals and enhancing stockholder value, including marketing and development alliances, opportunities for mergers with other companies and acquisitions.

In the fall of 2001, Vishay initiated discussions with us regarding an acquisition. At that time, Vishay was interested in acquiring some or all of our strain gage related business, and advised us that it was not interested in acquiring the entire company. During the following months, through the first part of 2002, various members of our board of directors and management spoke and met with various members of management of Vishay on a number of occasions, but eventually discussions broke off because we were not interested in selling only our strain gage business.

On or about December 15, 2003, Raanan Zilberman, the President of Vishay s Transducers Group, telephoned Rick Beets, then the President and Chief Executive Officer of SI, and requested a meeting in Tustin, California. On February 5, 2004, that meeting was held. Marv Moist, who had succeeded Mr. Beets as President and Chief Executive Officer of the Company at the end of January 2004, attended the meeting, along with Vishay s representatives, Mr. Zilberman, Marc Zandman, Vishay s Vice Chairman, Dubi Zandman, the Vice President of Marketing and Sales of Vishay s Transducers Group, and Tom Kieffer, President of Vishay s Measurements Group, at SI s headquarters in Tustin, California. At the meeting the parties discussed the industry in general.

Our board of directors held a regularly scheduled meeting on March 11, 2004 in Seattle, Washington. Mr. Moist was present at the meeting and updated the board on the matters discussed at the meeting with Vishay. He suggested that although no proposals were made, he believed that Vishay was interested in resuming discussions regarding the acquisition of some or all of SI s businesses. At our board s request, Mr. Moist telephoned Mr. Kieffer and informed him that SI was interested in meeting with Vishay if Vishay was interested in resuming discussions regarding a potential acquisition transaction.

Over the next four weeks, Mr. Moist and Mr. Kieffer, along with Mr. Marc Zandman, exchanged telephone calls and discussed several times Vishay s interest regarding a potential acquisition of SI. Vishay indicated it was interested in further discussions with SI, and requested more information regarding SI. The parties negotiated the terms of a confidentiality agreement which we and Vishay signed on April 12, 2004.

SI and Vishay did not have any further contact until late May 2004, when Dr. Felix Zandman, Vishay s Chairman, telephoned Dean Spatz, an SI director, and they arranged for a meeting for June 17, 2004 in Minneapolis, Minnesota to discuss a potential transaction between Vishay and SI.

On May 28, 2004, Ralph Crump, SI s Chairman of the Board, Mr. Spatz, Mr. Beets and Louis Fiere, SI s global operations manager, met in Beijing, China with the President and Executive Vice President of an Asian supplier of SI. Among the topics discussed at that meeting was whether or not this supplier was interested in making an equity investment in SI. During these discussions, the SI representatives indicated that they believed SI would be willing to sell common stock representing up to 35% of the outstanding common stock for $5.00 per

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share. The supplier indicated that while it would be interested in purchasing a significant block of stock, it was only interested if the price was no less favorable than the price at which we sold stock in a private placement in 2003 (in which investors purchased shares of SI at $1.78 per share plus warrants). The parties signed a letter of understanding reflecting their positions and that no agreement had been reached. The parties discussed meeting again within the next few months in California to continue these discussions as the supplier s representatives were planning to visit California on other business.

At a regularly scheduled meeting of the board of directors of SI in Tustin, California on June 10, 2004, the board discussed various long-term strategies for the company, including sale of a significant block of stock to the Asian supplier, the sale of the company to Vishay, and remaining independent without raising capital. Mr. Crump, Mr. Spatz and Mr. Beets reported to the board of directors regarding their meeting with the Asian supplier on May 28, 2004 and the resulting letter of understanding. The board discussed the types of proposals that they might expect from Vishay, the potential structures of a transaction and the potential valuation of the company, but made no final conclusion regarding structure or valuation. The board was advised by Troy & Gould Professional Corporation, which had been retained as legal counsel to SI to advise the Company on any sale of the Company or of stock of the Company, of their fiduciary responsibilities in connection with considering and approving a sale of control of SI.

On June 17, 2004, SI and Vishay held a meeting in Minneapolis, Minnesota to discuss a possible transaction between SI and Vishay. Attending the meeting were Dr. Zandman, Mr. Marc Zandman, Mr. Zilberman and Mr. Kieffer from Vishay and Mr. Crump, Mr. Spatz, Mr. Beets and Mr. Moist from SI. Vishay proposed a transaction in which Vishay would acquire SI s strain gage related business in an asset sale for $32 million, including the assumption or payoff of SI debt (assumed to be $12 million), and SI would bear restructuring costs up to $11 million to be held in escrow. Under this proposal, SI would keep the AeroGo business and at the closing SI would receive $9 million plus the amount by which the SI debt was less than $12 million, and could later receive any escrowed funds not used for restructuring costs.

Following this meeting, Mr. Beets informally updated our board of directors on the discussions at the meeting and Vishay s proposal. Although SI remained primarily interested in selling the entire company and not just the strain gage related business, the general view of the directors was to continue the discussions. However, based on a review of the structure of the transaction by our tax accountants and counsel, it was determined that an asset sale would likely result in taxable income to SI, making the proposed transaction unattractive as structured as subsequent distributions to the stockholders would also be taxable.

On June 21, 2004, Mr. Moist telephoned Mr. Kieffer to inform him that SI could not agree to a transaction structured as an asset sale.

On June 22, 2004, Mr. Beets, Mr. Spatz and Mr. Moist telephoned Richard Grubb, Vishay s Chief Financial Officer, to discuss the tax issue. Mr. Grubb responded that he understood the issue and that he believed Vishay would be amenable to purchasing SI stock instead of assets.

On June 24, 2004, our board of directors held a special meeting by teleconference. The board discussed potential deal structures which would result in a single level of taxation. Mr. Crump indicated that the Asian supplier remained interested in a potential investment in SI. The board of directors authorized Mr. Beets to follow up with the supplier and continue discussions on the investment. The board of directors authorized Mr. Spatz and Mr. Beets to pursue negotiating a transaction with Vishay.

Following the meeting and over the next month, Mr. Beets exchanged emails with the President of the Asian supplier attempting to set up a meeting and assisting the supplier in obtaining the necessary visas to come to California for a meeting.

On June 28, 2004, a meeting was held in Ontario, California between representatives of Vishay and SI, including Mr. Marc Zandman and Mr. Zilberman from Vishay and Mr. Beets and Mr. Moist from SI, to discuss

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the potential transaction, including the feasibility of a stock sale instead of an asset sale. The parties discussed Vishay s proposed escrow of funds to pay restructuring costs, and in particular what costs would be considered restructuring costs. Mr. Beets and Mr. Moist disagreed with Mr. Marc Zandman and Mr. Zilberman as to what should be considered restructuring costs and the amount of the costs. Mr. Beets and Mr. Moist proposed that SI stockholders should be able to elect to receive either cash or Vishay common stock or both in exchange for their shares of SI. Mr. Zandman indicated that it was unlikely that Vishay would agree to this.

On June 29, 2004, Dr. Zandman telephoned Mr. Spatz and stated that he believed that at the June 28, 2004 meeting Mr. Beets and Mr. Moist had proposed changing several aspects of the proposed transaction that the parties discussed at the meeting in Minneapolis on June 17, 2004 and that such changes were not acceptable to Vishay. Mr. Spatz responded that due to a tax issue for SI the Vishay proposal of an asset sale would not be acceptable. He indicated that he was working with Mr. Beets and Mr. Moist regarding a proposal by SI for a transaction st