

Vishay Precision Group, Inc.  
Form 10-Q  
May 07, 2014

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

FORM 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 29, 2014

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 1-34679

VISHAY PRECISION GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation)

27-0986328

(I.R.S. Employer Identification Number)

3 Great Valley Parkway, Suite 150

Malvern, PA 19355

(Address of Principal Executive Offices) (Zip Code)

484-321-5300

(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 (section 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, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if smaller reporting company)

Smaller reporting company

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

As of May 7, 2014, the registrant had 12,727,036 shares of its common stock and 1,025,176 shares of its Class B convertible common stock outstanding.

VISHAY PRECISION GROUP, INC.  
 FORM 10-Q  
 March 29, 2014  
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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## VISHAY PRECISION GROUP, INC.

## Consolidated Condensed Balance Sheets

(In thousands)

	March 29, 2014 (Unaudited)	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$72,041	\$72,785
Accounts receivable, net	41,897	40,500
Inventories:		
Raw materials	15,148	15,223
Work in process	20,436	19,962
Finished goods	19,319	19,788
Inventories, net	54,903	54,973
Deferred income taxes	4,190	4,784
Prepaid expenses and other current assets	10,836	10,500
Total current assets	183,867	183,542
Property and equipment, at cost:		
Land	2,003	1,993
Buildings and improvements	48,226	47,793
Machinery and equipment	78,034	75,644
Software	6,537	6,333
Construction in progress	772	1,252
Accumulated depreciation	(86,125)	(83,692)
Property and equipment, net	49,447	49,323
Goodwill	18,153	18,880
Intangible assets, net	21,182	22,458
Other assets	18,266	17,901
Total assets	\$290,915	\$292,104

Continues on the following page.

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VISHAY PRECISION GROUP, INC.  
 Consolidated Condensed Balance Sheets (continued)  
 (In thousands)

	March 29, 2014 (Unaudited)	December 31, 2013
Liabilities and equity		
Current liabilities:		
Trade accounts payable	\$10,521	\$10,258
Payroll and related expenses	14,553	15,016
Other accrued expenses	14,172	15,814
Income taxes	626	615
Current portion of long-term debt	4,391	4,137
Total current liabilities	44,263	45,840
Long-term debt, less current portion	21,675	22,936
Deferred income taxes	1,025	1,259
Other liabilities	7,751	7,738
Accrued pension and other postretirement costs	10,679	10,780
Total liabilities	85,393	88,553
Commitments and contingencies		
Equity:		
Common stock	1,273	1,271
Class B convertible common stock	103	103
Capital in excess of par value	188,857	188,424
Retained earnings	34,353	32,647
Accumulated other comprehensive income (loss)	(19,246)	(19,027)
Total Vishay Precision Group, Inc. stockholders' equity	205,340	203,418
Noncontrolling interests	182	133
Total equity	205,522	203,551
Total liabilities and equity	\$290,915	\$292,104

See accompanying notes.

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## VISHAY PRECISION GROUP, INC.

Consolidated Condensed Statements of Operations  
(Unaudited - In thousands, except per share amounts)

	Fiscal quarter ended	
	March 29, 2014	March 30, 2013
Net revenues	\$61,041	\$57,461
Costs of products sold	38,994	37,492
Gross profit	22,047	19,969
Selling, general, and administrative expenses	18,700	17,797
Acquisition costs	—	487
Restructuring costs	324	388
Operating income	3,023	1,297
Other income (expense):		
Interest expense	(212)	(197)
Other	(542)	(376)
Other income (expense) - net	(754)	(573)
Income before taxes	2,269	724
Income tax expense	496	288
Net earnings	1,773	436
Less: net earnings attributable to noncontrolling interests	67	49
Net earnings attributable to VPG stockholders	\$1,706	\$387
Basic earnings per share attributable to VPG stockholders	\$0.12	\$0.03
Diluted earnings per share attributable to VPG stockholders	\$0.12	\$0.03
Weighted average shares outstanding - basic	13,752	13,387
Weighted average shares outstanding - diluted	13,958	13,928

See accompanying notes.

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VISHAY PRECISION GROUP, INC.

Consolidated Condensed Statements of Comprehensive Income (Loss)  
(Unaudited - In thousands)

	Fiscal quarter ended	
	March 29, 2014	March 30, 2013
Net earnings	\$1,773	\$436
Other comprehensive income (loss):		
Foreign currency translation adjustment	(224	) (3,263
Pension and other postretirement actuarial items, net of tax	5	195
Other comprehensive loss	(219	) (3,068
Total comprehensive income (loss)	1,554	(2,632
Less: comprehensive income attributable to noncontrolling interests	67	49
Comprehensive income (loss) attributable to VPG stockholders	\$1,487	\$(2,681

See accompanying notes.

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VISHAY PRECISION GROUP, INC.  
Consolidated Condensed Statements of Cash Flows  
(Unaudited - In thousands)

	Three fiscal months ended	
	March 29, 2014	March 30, 2013
Operating activities		
Net earnings	\$1,773	\$436
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,849	3,007
Gain on disposal of property and equipment	(3	) (5
Share-based compensation expense	222	335
Inventory write-offs for obsolescence	438	187
Other	486	(631
Net changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(1,506	) (1,890
Inventories	(286	) (237
Prepaid expenses and other current assets	(316	) (2,560
Trade accounts payable	237	373
Other current liabilities	(1,855	) (397
Net cash provided by (used in) operating activities	2,039	(1,382
Investing activities		
Capital expenditures	(1,878	) (818
Proceeds from sale of property and equipment	3	13
Purchase of business	—	(49,888
Net cash used in investing activities	(1,875	) (50,693
Financing activities		
Proceeds from long-term debt	—	25,000
Principal payments on long-term debt and capital leases	(1,035	) (789
Debt issuance costs	—	(384
Distributions to noncontrolling interests	(18	) (13
Net cash (used in) provided by financing activities	(1,053	) 23,814
Effect of exchange rate changes on cash and cash equivalents	145	(930
Decrease in cash and cash equivalents	(744	) (29,191
Cash and cash equivalents at beginning of period	72,785	93,881
Cash and cash equivalents at end of period	\$72,041	\$64,690

See accompanying notes.

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## VISHAY PRECISION GROUP, INC.

## Consolidated Condensed Statement of Equity

(Unaudited - In thousands, except share amounts)

	Common Stock	Class B Convertible Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total VPG, Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2013	\$ 1,271	\$ 103	\$ 188,424	\$ 32,647	\$ (19,027 )	\$ 203,418	\$ 133	\$ 203,551
Net earnings	—	—	—	1,706	—	1,706	67	1,773
Other comprehensive loss	—	—	—	—	(219 )	(219 )	—	(219 )
Share-based compensation expense	—	—	186	—	—	186	—	186
Restricted stock issuances (15,344 shares)	2	—	247	—	—	249	—	249
Distributions to noncontrolling interests	—	—	—	—	—	—	(18 )	(18 )
Balance at March 29, 2014	\$ 1,273	\$ 103	\$ 188,857	\$ 34,353	\$ (19,246 )	\$ 205,340	\$ 182	\$ 205,522

See accompanying notes.

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Vishay Precision Group, Inc.

Notes to Unaudited Consolidated Condensed Financial Statements

Note 1 – Basis of Presentation

Background

Vishay Precision Group, Inc. (“VPG” or the “Company”) is an internationally recognized designer, manufacturer and marketer of components based on resistive foil technology, sensors, and sensor-based systems specializing in the growing markets of stress, force, weight, pressure, and current measurements. The Company provides vertically integrated products and solutions that are primarily based upon its proprietary foil technology. These products are marketed under a variety of brand names that the Company believes are characterized as having a very high level of precision and quality. VPG’s global operations enable it to produce a wide variety of products in strategically effective geographical locations that also optimize its resources for specific technologies, sensors, assemblies and systems.

Interim Financial Statements

These unaudited consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial statements and therefore do not include all information and footnotes necessary for the presentation of financial position, results of operations, and cash flows required by accounting principles generally accepted in the United States for complete financial statements. The information furnished reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair summary of the financial position, results of operations, and cash flows for the interim periods presented. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, included in VPG’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013, filed with the SEC on March 12, 2014. The results of operations for the fiscal quarter ended March 29, 2014 are not necessarily indicative of the results to be expected for the full year.

VPG reports interim financial information for 13-week periods beginning on a Sunday and ending on a Saturday, except for the first quarter, which always begins on January 1, and the fourth quarter, which always ends on December 31. The four fiscal quarters in 2014 and 2013 end on the following dates:

	2014	2013
Quarter 1	March 29,	March 30,
Quarter 2	June 28,	June 29,
Quarter 3	September 27,	September 28,
Quarter 4	December 31,	December 31,

Note 2 – Restructuring Costs

Restructuring costs reflect the cost reduction programs implemented by the Company. Restructuring costs are expensed during the period in which the Company determines it will incur those costs and all requirements for accrual are met. Because these costs are recorded based upon estimates, actual expenditures for the restructuring activities may differ from the initially recorded costs. If the initial estimates are too low or too high, the Company could be required to either record additional expense in future periods or to reverse part of the previously recorded charges. The Company recorded restructuring costs of \$0.3 million during the fiscal quarter ended March 29, 2014. These costs were comprised of employee termination costs, including severance and a statutory retirement allowance at the Company's subsidiary in Canada, and were incurred in connection with a cost reduction program. As of March 29, 2014, \$0.1 million of the restructuring costs have been paid. The remaining costs are expected to be paid during the remainder of 2014 and the first quarter of 2015.

The Company recorded restructuring costs of \$0.1 million during the fourth quarter of 2013. These costs were comprised of employee termination costs, including severance and a statutory retirement allowance at the Company's subsidiary in Canada and were incurred in connection with a cost reduction in one of the manufacturing areas. As of March 29, 2014, these costs have been paid.



## Note 2 – Restructuring Costs (continued)

The Company recorded restructuring costs of \$0.4 million during the fiscal quarter ended March 30, 2013. These costs were comprised of employee termination costs, including severance and a statutory retirement allowance, covering 16 technical, production and administrative employees at one of the Company's subsidiaries in Japan. The restructuring was undertaken primarily in response to the declining business conditions in Japan. The restructuring costs were fully paid during 2013.

## Note 3 – Income Taxes

VPG calculates the tax provision for interim periods using an estimated annual effective tax rate methodology which is based on a current projection of full-year earnings before taxes amongst different taxing jurisdictions and adjusted for the impact of discrete quarterly items. The effective tax rate for the fiscal quarter ended March 29, 2014 was 21.9% versus 39.8% for the fiscal quarter ended March 30, 2013. The primary change in the effective tax rate for both periods presented is the result of changes in the geographic mix of pretax earnings, and the recording of net tax benefits associated with foreign exchange variations.

The provision for income taxes consists of provisions for federal, state, and foreign income taxes. The effective tax rates for the fiscal quarters ended March 29, 2014 and March 30, 2013 reflect VPG's expected tax rate on reported income before income tax and tax adjustments. VPG operates in an international environment with significant operations in various locations outside the United States. Accordingly, the consolidated income tax rate is a composite rate reflecting VPG's earnings and the applicable tax rates in the various locations in which VPG operates.

The Company and its subsidiaries are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in evaluating the Company's tax positions and determining the provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. VPG establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when VPG believes that certain positions might be challenged despite its belief that the tax return positions are supportable. VPG adjusts these reserves in light of changing facts and circumstances and the provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate. Penalties and tax-related interest expense are reported as a component of income tax expense. The Company anticipates \$0.1 million to \$0.3 million of unrecognized tax benefits to be reversed within the next twelve months of the reporting date, due to the expiration of statute of limitations in certain jurisdictions.

## Note 4 – Long-Term Debt

Long-term debt consists of the following (in thousands):

	March 29, 2014	December 31, 2013
2013 Credit Agreement - revolving facility	\$—	\$—
2013 Credit Agreement - U.S. term facility	7,500	8,000
2013 Credit Agreement - Canadian term facility	13,500	14,000
Israeli Credit Agreement - revolving facility	—	—
Exchangeable unsecured notes, due 2102	4,097	4,097
Other debt	969	976
	26,066	27,073
Less: current portion	4,391	4,137
	\$21,675	\$22,936

## Note 5 – Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), net of tax, consist of the following (in thousands):

	Foreign Currency Translation Adjustment	Pension and Other Postretirement Actuarial Items	Total	
Balance at January 1, 2014	\$(16,761	) \$(2,266	) \$(19,027	)
Other comprehensive income (loss) before reclassifications	(224	) —	(224	)
Amounts reclassified from accumulated other comprehensive income (loss)	—	5	5	
Balance at March 29, 2014	\$(16,985	) \$(2,261	) \$(19,246	)
	Foreign Currency Translation Adjustment	Pension and Other Postretirement Actuarial Items	Total	
Balance at January 1, 2013	\$(11,044	) \$(3,939	) \$(14,983	)
Other comprehensive income (loss) before reclassifications	(3,263	) —	(3,263	)
Amounts reclassified from accumulated other comprehensive income (loss)	—	195	195	
Balance at March 30, 2013	\$(14,307	) \$(3,744	) \$(18,051	)

Reclassifications of pension and other postretirement actuarial items out of accumulated other comprehensive income (loss) are included in the computation of net periodic benefit cost (see Note 6).

## Note 6 – Pension and Other Postretirement Benefits

Employees of VPG participate in various defined benefit pension and other postretirement benefit ("OPEB") plans. The following table sets forth the components of the net periodic benefit cost for the Company's defined benefit pension and other postretirement benefit plans (in thousands):

	Fiscal quarter ended March 29, 2014		Fiscal quarter ended March 30, 2013	
	Pension Plans	OPEB Plans	Pension Plans	OPEB Plans
Net service cost	\$105	\$21	\$116	\$18
Interest cost	235	31	216	24
Expected return on plan assets	(198	) —	(151	) —
Amortization of actuarial losses	7	9	43	7
Net periodic benefit cost	\$149	\$61	\$224	\$49

## Note 7 – Share-Based Compensation

The Amended and Restated Vishay Precision Group, Inc. Stock Incentive Program (as amended and restated, the "Plan") permits the issuance of up to 1,000,000 shares of common stock. At March 29, 2014, the Company had reserved 607,238 shares of common stock for future grant of equity awards (restricted stock, unrestricted stock, restricted stock units ("RSUs"), or stock options) pursuant to the Plan. If any outstanding awards are forfeited by the holder or cancelled by the Company, the underlying shares would be available for regrant to others.

## Note 7 – Share-Based Compensation (continued)

## Stock Options

The following table summarizes the Company's 2014 stock option activity (number of options in thousands):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (yrs)
Outstanding:			
Balance at January 1, 2014	27	\$18.06	
Granted	—	—	
Exercised	—	—	
Expired	—	—	
Balance at March 29, 2014	27	\$18.06	2.72
Exercisable:			
End of period	27	\$18.23	

The pretax intrinsic value (the difference between the closing stock price of VPG's common stock on the last trading day of the fiscal quarter of \$17.11 per share and the exercise price, multiplied by the number of in-the-money options) that would have been received by the options holders had all option holders exercised their options on March 29, 2014 is not material.

## Restricted Stock Units

On January 29, 2014, VPG's three executive officers were granted annual equity awards in the form of RSUs, of which 75% are performance-based. The awards have an aggregate grant-date fair value of \$1.2 million and were comprised of 79,453 RSUs. Twenty-five percent of these awards will vest on January 1, 2017, subject to the executives' continued employment. The performance-based portion of the RSUs will also vest on January 1, 2017, subject to the satisfaction of certain performance objectives relating to three year cumulative "free cash" and net earnings goals, and their continued employment. The Company recognizes compensation cost for RSUs that are expected to vest and for which performance criteria are expected to be met.

RSU activity for 2014 is presented below (number of RSUs in thousands):

	Number of RSUs	Weighted Average Grant-date Fair Value
Outstanding:		
Balance at January 1, 2014	146	\$14.72
Granted	79	15.06
Vested	(18	) 16.21
Balance at March 29, 2014	207	\$14.72

The amount of compensation cost related to share-based payment transactions is measured based on the grant-date fair value of the equity instruments issued. VPG determines compensation cost for RSUs based on the grant-date fair value of the underlying common stock. Compensation cost is recognized over the period that the participant provides service in exchange for the award. RSUs with performance-based vesting criteria are expected to vest as follows (number of RSUs in thousands):

Vesting Date	Expected to Vest	Not Expected to Vest	Total
January 1, 2015	9	29	38
January 1, 2016	23	24	47
January 1, 2017	60	—	60



## Note 7 – Share-Based Compensation (continued)

## Share-Based Compensation Expense

The following table summarizes share-based compensation expense recognized (in thousands):

	Fiscal quarter ended	
	March 29, 2014	March 30, 2013
Stock options	\$—	\$1
Restricted stock units	222	334
Total	\$222	\$335

## Note 8 – Segment Information

VPG reports in three product segments: the Foil Technology Products segment, the Force Sensors segment, and the Weighing and Control Systems segment. The Foil Technology Products reporting segment is comprised of the foil resistor and strain gage operating segments. The Force Sensors reporting segment is comprised of transducers, load cells and modules. The Weighing and Control Systems reporting segment is comprised of instruments, complete systems for process control, and on-board weighing applications.

VPG evaluates reporting segment performance based on multiple performance measures including revenues, gross profits and operating income, exclusive of certain items. Management believes that evaluating segment performance, excluding items such as restructuring costs, acquisition costs, and other items is meaningful because it provides insight with respect to the intrinsic operating results of VPG. The following table sets forth reporting segment information (in thousands):



## Note 8 – Segment Information (continued)

	Fiscal quarter ended	
	March 29, 2014	March 30, 2013
Net third-party revenues:		
Foil Technology Products	\$26,007	\$24,352
Force Sensors	16,432	16,396
Weighing & Control Systems	18,602	16,713
Total	\$61,041	\$57,461
Gross profit:		
Foil Technology Products	\$9,856	\$9,145
Force Sensors	3,507	4,399
Weighing & Control Systems	8,684	6,425
Total	\$22,047	\$19,969
Reconciliation of segment operating income to consolidated results:		
Foil Technology Products	\$5,200	\$4,767
Force Sensors	1,141	2,229
Weighing & Control Systems	3,025	1,725
Unallocated G&A expenses	(6,019)	(6,549)
Acquisition costs	—	(487)
Restructuring costs	(324)	(388)
Consolidated condensed operating income	\$3,023	\$1,297
Acquisition costs:		
Weighing & Control Systems	\$—	\$487
Restructuring costs:		
Foil Technology Products	\$—	\$388
Weighing & Control Systems	324	—
	\$324	\$388

Products are transferred between segments on a basis intended to reflect, as nearly as practicable, the market value of the products. Intersegment sales from the Foil Technology Products segment to the Force Sensors segment and Weighing and Control Systems segment were \$0.5 million and \$0.4 million during the fiscal quarters ended March 29, 2014 and March 30, 2013, respectively. Intersegment sales from the Force Sensors segment to the Foil Technology Products segment and Weighing and Control Systems segment were \$0.4 million and \$0.7 million during the fiscal quarters ended March 29, 2014 and March 30, 2013, respectively. Intersegment sales from the Weighing and Control Systems segment to the Force Sensors segment were \$0.3 million and \$0.4 million during the fiscal quarters ended March 29, 2014 and March 30, 2013, respectively.

## Note 9 – Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share attributable to VPG stockholders (in thousands, except earnings per share):

	Fiscal quarter ended	
	March 29, 2014	March 30, 2013
Numerator:		
Numerator for basic earnings per share:		
Net earnings attributable to VPG stockholders	\$1,706	\$387
Adjustment to the numerator for net earnings:		
Interest savings assuming conversion of dilutive exchangeable notes, net of tax	2	5
Numerator for diluted earnings per share:		
Net earnings attributable to VPG stockholders	\$1,708	\$392
Denominator:		
Denominator for basic earnings per share:		
Weighted average shares	13,752	13,387
Effect of dilutive securities:		
Exchangeable notes	181	441
Employee stock options	1	—
Restricted stock units	24	100
Dilutive potential common shares	206	541
Denominator for diluted earnings per share:		
Adjusted weighted average shares	13,958	13,928
Basic earnings per share attributable to VPG stockholders	\$0.12	\$0.03
Diluted earnings per share attributable to VPG stockholders	\$0.12	\$0.03
Diluted earnings per share for the periods presented do not reflect the following weighted average potential common shares, as the effect would be antidilutive (in thousands):		
	Fiscal quarter ended	
	March 29, 2014	March 30, 2013
Weighted average employee stock options	23	28

Note 10 – Additional Financial Statement Information

The caption “other” on the consolidated condensed statements of operations consists of the following (in thousands):

	Fiscal quarter ended	
	March 29, 2014	March 30, 2013
Foreign exchange loss	\$(531	) \$(386
Interest income	38	73
Other	(49	) (63
	\$(542	) \$(376

Note 11 – Fair Value Measurements

Accounting Standards Codification (“ASC”) Topic 820, Fair Value Measurement, establishes a valuation hierarchy of the inputs used to measure fair value. This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect the Company’s own assumptions.

An asset or liability’s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following tables provide the financial assets and liabilities carried at fair value measured on a recurring basis (in thousands):