

Vishay Precision Group, Inc.
Form 10-Q
November 06, 2012

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 September 29, 2012

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)

484-321-5300
(Registrant's Area Code and Telephone Number)

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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer 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

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As of November 6, 2012, the registrant had 12,345,722 shares of its common stock and 1,025,176 shares of its Class B common stock outstanding.

VISHAY PRECISION GROUP, INC.**FORM 10-Q
September 29, 2012
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements**VISHAY PRECISION GROUP, INC.**

Consolidated Condensed Balance Sheets

(In thousands)

	September 29, 2012 <i>(Unaudited)</i>	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 89,250	\$ 80,828
Accounts receivable, net	33,421	34,214
Inventories:		
Raw materials	14,644	15,196
Work in process	15,376	14,343
Finished goods	19,393	19,559
Inventories, net	49,413	49,098
Deferred income taxes	4,570	4,638
Prepaid expenses and other current assets	10,142	8,964
Total current assets	186,796	177,742
Property and equipment, at cost:		
Land	2,053	2,020
Buildings and improvements	48,885	43,043
Machinery and equipment	75,893	73,597
Software	5,698	4,956
Construction in progress	1,095	7,146
Accumulated depreciation	(80,754)	(77,024)
Property and equipment, net	52,870	53,738
Intangible assets, net	9,008	11,102
Other assets	13,830	14,023
Total assets	\$ 262,504	\$ 256,605

Continues on the following page.

VISHAY PRECISION GROUP, INC.

Consolidated Condensed Balance Sheets (continued)

(In thousands)

	September 29, 2012 <i>(Unaudited)</i>	December 31, 2011
Liabilities and equity		
Current liabilities:		
Trade accounts payable	\$ 10,150	\$ 11,458
Payroll and related expenses	12,390	12,741
Other accrued expenses	9,150	9,538
Income taxes	1,682	2,842
Current portion of long-term debt	185	185
Total current liabilities	33,557	36,764
Long-term debt, less current portion	11,325	11,463
Deferred income taxes	2,892	2,873
Other liabilities	8,033	7,769
Accrued pension and other postretirement costs	12,840	12,798
Total liabilities	68,647	71,667
Commitments and contingencies		
Equity:		
Common stock	1,235	1,232
Class B convertible common stock	103	103
Capital in excess of par value	181,553	180,758
Retained earnings	23,191	16,665
Accumulated other comprehensive income (loss)	(12,352)	(13,973)
Total Vishay Precision Group, Inc. stockholders' equity	193,730	184,785
Noncontrolling interests	127	153
Total equity	193,857	184,938
Total liabilities and equity	\$ 262,504	\$ 256,605

See accompanying notes.

VISHAY PRECISION GROUP, INC.

Consolidated Condensed Statements of Operations

(Unaudited - In thousands, except per share amounts)

	Fiscal quarter ended	
	September 29, 2012	October 1, 2011
Net revenues	\$ 55,430	\$ 60,037
Costs of products sold	36,691	38,845
Gross profit	18,739	21,192
Selling, general, and administrative expenses	15,646	16,482
Operating income	3,093	4,710
Other income (expense):		
Interest expense	(75)	(70)
Other	(295)	(763)
Other income (expense) - net	(370)	(833)
Income before taxes	2,723	3,877
Income tax expense	811	639
Net earnings	1,912	3,238
Less: net loss attributable to noncontrolling interests	(30)	(62)
Net earnings attributable to VPG stockholders	\$ 1,942	\$ 3,300
Basic earnings per share attributable to VPG stockholders	\$ 0.15	\$ 0.25
Diluted earnings per share attributable to VPG stockholders	\$ 0.14	\$ 0.24
Weighted average shares outstanding - basic	13,371	13,346
Weighted average shares outstanding - diluted	13,893	13,831

See accompanying notes.

VISHAY PRECISION GROUP, INC.

Consolidated Condensed Statements of Operations

(Unaudited - In thousands, except per share amounts)

	Nine fiscal months ended	
	September 29, 2012	October 1, 2011
Net revenues	\$ 166,606	\$ 181,695
Costs of products sold	109,136	117,403
Gross profit	57,470	64,292
Selling, general, and administrative expenses	47,923	49,898
Operating income	9,547	14,394
Other income (expense):		
Interest expense	(216)	(227)
Other	15	(629)
Other income (expense) - net	(201)	(856)
Income before taxes	9,346	13,538
Income tax expense	2,796	3,911
Net earnings	6,550	9,627
Less: net earnings attributable to noncontrolling interests	24	51
Net earnings attributable to VPG stockholders	\$ 6,526	\$ 9,576
Basic earnings per share attributable to VPG stockholders	\$ 0.49	\$ 0.72
Diluted earnings per share attributable to VPG stockholders	\$ 0.47	\$ 0.69
Weighted average shares outstanding - basic	13,366	13,342
Weighted average shares outstanding - diluted	13,881	13,820

See accompanying notes.

VISHAY PRECISION GROUP, INC.

Consolidated Condensed Statements of Comprehensive Income

(Unaudited - In thousands)

	Fiscal quarter ended	
	September 29, 2012	October 1, 2011
Net earnings	\$ 1,912	\$ 3,238
Other comprehensive income (loss):		
Foreign currency translation adjustment	3,505	(1,674)
Pension and other postretirement actuarial items, net of tax	(55)	33
Other comprehensive income (loss)	3,450	(1,641)
Comprehensive income	5,362	1,597
Less comprehensive loss attributable to noncontrolling interests	(30)	(62)
Comprehensive income attributable to VPG stockholders	\$ 5,392	\$ 1,659

See accompanying notes.

VISHAY PRECISION GROUP, INC.

Consolidated Condensed Statements of Comprehensive Income

(Unaudited - In thousands)

	Nine fiscal months ended	
	September 29, 2012	October 1, 2011
Net earnings	\$ 6,550	\$ 9,627
Other comprehensive income:		
Foreign currency translation adjustment	1,603	1,316
Pension and other postretirement actuarial items, net of tax	18	31
Other comprehensive income	1,621	1,347
Comprehensive income	8,171	10,974
Less comprehensive income attributable to noncontrolling interests	24	51
Comprehensive income attributable to VPG stockholders	\$ 8,147	\$ 10,923

See accompanying notes.

VISHAY PRECISION GROUP, INC.

Consolidated Condensed Statements of Cash Flows

(Unaudited - In thousands)

	Nine fiscal months ended	
	September 29, 2012	October 1, 2011
Operating activities		
Net earnings	\$ 6,550	\$ 9,627
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	8,727	8,425
Loss on disposal of property and equipment	219	20
Share-based compensation expense	866	718
Inventory write-offs for obsolescence	996	1,149
Other	(537)	(3,084)
Net changes in operating assets and liabilities:		
Accounts receivable	991	(2,940)
Inventories	(945)	(2,793)
Prepaid expenses and other current assets	(1,126)	(4,816)
Trade accounts payable	(1,345)	2,464
Other current liabilities	(878)	930
Net cash provided by operating activities	13,518	9,700
Investing activities		
Capital expenditures	(5,805)	(10,347)
Proceeds from sale of property and equipment	271	143
Net cash used in investing activities	(5,534)	(10,204)
Financing activities		
Principal payments on long-term debt and capital leases	(136)	(90)
Net changes in short-term borrowings	-	1,326
Distributions to noncontrolling interests	(50)	(15)
Net cash (used in) provided by financing activities	(186)	1,221
Effect of exchange rate changes on cash and cash equivalents	624	356
Increase in cash and cash equivalents	8,422	1,073
Cash and cash equivalents at beginning of period	80,828	82,245
Cash and cash equivalents at end of period	\$ 89,250	\$ 83,318

See accompanying notes.

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. Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2011	\$ 1,232	\$ 103	\$ 180,758	\$ 16,665	\$ (13,973)	\$ 184,785	\$ 153	\$ 184,938
Net earnings	-	-	-	6,526	-	6,526	24	6,550
Foreign currency translation adjustment	-	-	-	-	1,603	1,603	-	1,603
Pension and other postretirement actuarial items (net of tax)	-	-	-	-	18	18	-	18
Share-based compensation expense	-	-	401	-	-	401	-	401
Restricted stock issuances (25,104 shares)	3	-	394	-	-	397	-	397
Distribution to noncontrolling interests	-	-	-	-	-	-	(50)	(50)
Balance at September 29, 2012	\$ 1,235	\$ 103	\$ 181,553	\$ 23,191	\$ (12,352)	\$ 193,730	\$ 127	\$ 193,857

See accompanying notes.

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. On July 6, 2010, VPG was spun-off from Vishay Intertechnology, Inc. (Vishay Intertechnology) through a tax-free stock dividend to Vishay Intertechnology's stockholders.

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 combined and consolidated financial statements and notes thereto as of December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011, included in VPG's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed with the SEC on March 12, 2012. The results of operations for the fiscal quarter and nine fiscal months ended September 29, 2012 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 2012 and 2011 end on the following dates:

	2012	2011
Quarter 1	March 31st	April 2nd
Quarter 2	June 30th	July 2nd
Quarter 3	September 29th	October 1st
Quarter 4	December 31st	December 31st

Reclassifications

Certain prior year amounts have been reclassified to conform to current financial statement presentation.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-5, *Comprehensive Income (Topic 220), Presentation of Comprehensive Income*. The Accounting Standards Update (ASU) requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate, but consecutive, statements. The ASU is effective for the Company for interim and annual periods beginning after December 15, 2011. The Company adopted this ASU beginning with its quarterly period ending March 31, 2012. The adoption of the ASU had no effect on the Company's financial position, results of operations, or liquidity. A separate statement of comprehensive income has been included in the consolidated condensed financial statements as a result of the adoption of this update.

Note 1 Basis of Presentation(continued)**Recent Accounting Pronouncements (continued)**

In December 2011, the FASB issued ASU No. 2011-12, Deferral of the Effective Date for Amendments to the *Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-005*. The ASU defers the requirement in ASU No. 2011-5 to present on the face of the financial statement the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income. The ASU is effective for the Company for interim and annual periods beginning after December 15, 2011. The Company has adopted this ASU beginning with its quarterly period ending March 31, 2012. The adoption of the ASU had no effect on the Company's financial statement presentation, financial position, results of operations, or liquidity.

Note 2 Related Party Transactions

Until July 6, 2010, VPG was part of Vishay Intertechnology, and the assets and liabilities consisted of those that Vishay Intertechnology attributed to its precision measurement and foil resistor businesses. Following the spin-off on July 6, 2010, VPG is an independent, publicly traded company, and Vishay Intertechnology does not retain any ownership interest in VPG.

Shared Facilities

VPG and Vishay Intertechnology shared certain manufacturing and administrative sites. Costs were allocated based on relative usage of the respective facilities.

Subsequent to the spin-off, VPG and Vishay Intertechnology continue to share certain manufacturing locations. VPG owns one location in Japan at which it leases space to Vishay Intertechnology. Vishay Intertechnology owns one location in Israel and one location in the United States, at each of which it leases space to VPG.

Commitments, Contingencies, and Concentrations*Relationships with Vishay Intertechnology after Spin-Off*

In connection with the spin-off on July 6, 2010, the Company and its subsidiaries entered into several agreements with Vishay Intertechnology and its subsidiaries that govern the relationship of the parties following the spin-off.

Transition Services Agreement

Pursuant to the Transition Services Agreement, Vishay Intertechnology provided VPG with certain information technology support services for its foil resistor business. The Transition Services Agreement terminated on March 1, 2012, therefore Vishay Intertechnology no longer provides the Company with information technology support services. Since inception, \$0.6 million was paid to Vishay Intertechnology for transition services.

Lease Agreements

Subsequent to the spin-off, VPG and Vishay Intertechnology continue to share certain manufacturing locations.

Future minimum lease payments by VPG for these facilities are estimated as follows (*in thousands*):

Remainder of 2012	\$ 32
2013	129
2014	129
2015	65
Thereafter	-

Note 2 Related Party Transactions(continued)*Lease Agreements (continued)*

Future minimum lease receipts from Vishay Intertechnology for these shared facilities are estimated as follows (*in thousands*):

Remainder of 2012	\$	10
2013		39
2014		39
2015		19
Thereafter		-

Supply Agreements

After the spin-off, VPG and Vishay Intertechnology each require certain products manufactured by the other for manufacture and sale of its respective products. VPG and Vishay Intertechnology entered into multiple supply agreements pursuant to which one party will be obligated to supply to the other certain products described in the supply agreements, up to a maximum aggregate quantity for each product, at pricing set forth in the supply agreements. The term of each supply agreement is perpetual unless sooner terminated. Either party may terminate the supply agreement at any time upon written notice to the other party at least one year prior to the requested date of termination. The parties will negotiate in good faith as to the pricing for each product on an annual basis taking into account ascertainable market inputs. The aggregate purchase price of products purchased from Vishay Intertechnology is not considered material.

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 September 29, 2012 was 29.8% versus 16.5% for the fiscal quarter ended October 1, 2011. The effective tax rate for the nine fiscal months ended September 29, 2012 was 29.9% versus 28.9% for the nine fiscal months ended October 1, 2011. The primary change in the effective tax rate for both periods presented is the result of a shift in the geographic mix of pretax earnings, offset by the inability to record a deferred tax benefit due to losses in certain foreign jurisdictions.

Income taxes for VPG for the fiscal quarters and nine fiscal months ended September 29, 2012 and October 1, 2011, as presented in these consolidated condensed financial statements, are calculated on a separate tax return basis.

The provision for income taxes consists of provisions for federal, state, and foreign income taxes. The effective tax rates for the fiscal quarter and nine fiscal months ended September 29, 2012 and October 1, 2011 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.

Note 3 Income Taxes (continued)

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. The Company has joint and several liability with Vishay Intertechnology to multiple tax authorities up through the spin-off date. However, under the terms of the Tax Matters Agreement, Vishay Intertechnology has agreed to assume this liability and any similar liability for U.S. federal, state or local and foreign income taxes that are determined on a separate company, consolidated, combined, unitary or similar basis for each taxable period in which VPG was a part of Vishay Intertechnology's affiliated group prior to July 6, 2010. Penalties and tax-related interest expense are reported as a component of income tax expense. The Company anticipates \$0.6 million to \$0.8 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*):

	September 29, 2012	December 31, 2011
U.S. Credit facility - revolving debt (1)	\$ -	\$ -
Israeli Credit facility - revolving debt (2)	-	-
Exchangeable unsecured notes, due 2102	9,958	9,958
Other debt	1,552	1,690
	11,510	11,648
Less current portion	185	185
	\$ 11,325	\$ 11,463

(1) Multi-currency revolving facility with interest payable at agent's prime rate, the Federal Funds rate or LIBOR, adjusted by an interest rate margin of 0.00% to 2.75% per annum, depending on the Company's leverage ratio.

(2) Multi-currency revolving facility with interest payable at LIBOR plus an interest rate margin of 2.15% per annum.

Exchangeable Unsecured Notes, due 2102

By reason of the spin-off, Vishay Intertechnology was required to take action so that the existing exchangeable notes of Vishay Intertechnology were deemed exchanged as of the date of the spin-off, for a combination of new notes of Vishay Intertechnology and notes issued by VPG.

VPG assumed the liability for an aggregate \$10.0 million principal amount of exchangeable notes effective July 6, 2010. The maturity date of the notes is December 13, 2102.

The notes are subject to a put and call agreement under which the holders may at any time put the notes to the Company in exchange for 441,176 shares of the Company's common stock in the aggregate, and the Company may call the notes in exchange for cash or for shares of its common stock at any time after January 1, 2018. The put/call rate of the VPG notes is \$22.57 per share of common stock.

The notes bear interest at LIBOR. Interest is payable quarterly on March 31, June 30, September 30, and December 31 of each calendar year.

Note 4 Long-Term Debt (continued)

Other Debt

Other debt consists of debt held by VPG's Japanese subsidiary. In April 2011, the subsidiary had a revision in the payment terms on this debt. This debt is payable monthly over the next 10 years at zero interest.

Note 5 Pension and Other Postretirement Benefits

Defined Benefit Plans

Employees of VPG participate in various defined benefit pension and other postretirement benefit plans.

Prior to July 6, 2010, certain employees of VPG in the United States and the United Kingdom participated in defined benefit pension and other postretirement plans sponsored by Vishay Intertechnology.

VPG assumed most of the obligations for employees in the United States and the United Kingdom that were employed by VPG after the spin-off, and accordingly, those obligations are included in VPG's consolidated condensed balance sheets. Plan assets were transferred to VPG as of the spin-off and invested in money market funds and company-owned life insurance policies.

Employees who participated in the Vishay Nonqualified Retirement Plan who became employees of VPG at the spin-off transferred into the newly created Vishay Precision Group Nonqualified Retirement Plan. The Vishay Precision Group Nonqualified Retirement Plan is frozen and participants do not continue to accrue benefits.

The Vishay Precision Group Nonqualified Retirement Plan, like all nonqualified plans, is considered to be unfunded. VPG maintains a nonqualified trust, referred to as a rabbi trust, to fund benefits under this plan. Rabbi trust assets are subject to creditor claims under certain conditions and are not the property of employees. Therefore, they are accounted for as other noncurrent assets. Effective July 6, 2010, Vishay Intertechnology deposited an allocation of assets into the VPG rabbi trust. The consolidated condensed balance sheets include these rabbi trust assets of \$1.7 million at September 29, 2012 and \$1.6 million at December 31, 2011, which approximate the pension liability at those dates.

Note 5 Pension and Other Postretirement Benefits (continued)

The following table sets forth the components of net periodic cost of pension and other postretirement benefit plans (in thousands):

	Fiscal quarter ended September 29, 2012		Fiscal quarter ended October 1, 2011	
	Pension	OPEB	Pension	OPEB
	Plans	Plans	Plans	Plans
Net service cost	\$ 116	\$ 11	\$ 126	\$ 9
Interest cost	212	28	225	34
Expected return on plan assets	(146)	-	(153)	-
Amortization of actuarial losses	24	18	1	11
Net periodic benefit cost	\$ 206	\$ 57	\$ 199	\$ 54

	Nine fiscal months ended September 29, 2012		Nine fiscal months ended October 1, 2011	
	Pension	OPEB	Pension	OPEB
	Plans	Plans	Plans	Plans
Net service cost	\$ 346	\$ 33	\$ 374	\$ 29
Interest cost	637	84	675	104
Expected return on plan assets	(439)	-	(459)	-
Amortization of actuarial losses	72	54	2	35
Net periodic benefit cost	\$ 616	\$ 171	\$ 592	\$ 168

Other Retirement Obligations

Prior to July 6, 2010, certain key employees of VPG participated in a nonqualified deferred compensation plan sponsored by Vishay Intertechnology. These employees transferred to a newly created nonqualified deferred compensation plan of VPG. The accompanying consolidated condensed balance sheets include a liability within other noncurrent liabilities related to these deferrals. VPG maintains a nonqualified trust, referred to as a rabbi trust, to fund payments under this plan. Rabbi trust assets are subject to creditor claims under certain conditions and are not the property of employees. Therefore, they are accounted for as other noncurrent assets. Effective July 6, 2010, Vishay Intertechnology deposited an allocation of assets into the VPG rabbi trust. The consolidated condensed balance sheets include these rabbi trust assets of \$2.6 million and \$2.5 million at September 29, 2012 and December 31, 2011, respectively, and the related liabilities of \$3.1 million and \$2.9 million at September 29, 2012 and December 31, 2011, respectively.

Note 6 Share-Based Compensation

Effective July 6, 2010, the Company's Board of Directors and Vishay Intertechnology (as the Company's sole stockholder prior to the spin-off) approved the adoption of the Vishay Precision Group, Inc. 2010 Stock Incentive Program (as amended, the 2010 Program). The 2010 Program permits the grant of up to 500,000 shares of restricted stock, unrestricted stock, restricted stock units (RSUs), and stock options to officers, employees and non-employee directors. At September 29, 2012, the Company had reserved 231,717 shares of common stock for future grant of equity awards, pursuant to the 2010 Program. If any outstanding awards are forfeited by the holder or cancelled by the Company, the underlying shares would be available for regrant to others.

Stock Options

In connection with the spin-off, VPG agreed to issue certain replacement awards to VPG employees holding equity-based awards of Vishay Intertechnology based on VPG's common stock. The vesting schedule, expiration date, and other terms of these awards are generally the same as those of the Vishay Intertechnology equity-based awards they replaced.

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

	2012		Weighted
	Number	Weighted	Average
	of	Average	Remaining
	Options	Exercise	Contractual
		Price	Life
Outstanding:			
Balance at January 1, 2012	32	\$ 18.03	
Granted	-	-	
Exercised	-	-	
Cancelled/expired	-	-	
Balance at September 29, 2012	32	\$ 18.03	3.73
Vested and			
expected to vest	32	\$ 18.03	
Exercisable:			
End of period	28	\$ 18.26	

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 \$13.98 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 September 29, 2012 is not material. No options were exercised during the fiscal quarter and nine fiscal months ended September 29, 2012.

Note 6 Share-Based Compensation (continued)

Restricted Stock Units

The Board of Directors agreed to grant founders equity awards pursuant to the 2010 Program to directors and executive officers. The awards to directors vest ratably over a three year period. The awards to the executive officers vest on July 6, 2013. E