AMERICAN FINANCIAL GROUP INC
Form SC 13G
February 15, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G
(Rule 13d-102)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULES 13d-1(b), (c), AND (d) AND AMENDMENTS THERETO FILED
PURSUANT TO RULE 13d-2(b)

(Amendment No.)*

American Financial Group, Inc.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

025932-104

(CUSIP Number)

December 31, 2005

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[X] Rule 13d-1(b) [_] Rule 13d-(c) [_] Rule 13d-1(d)

CUSIP No. 025932-104

---

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)

Wilmington Trust Corporation 51-0328154

---

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*
(a) [X]
(b) [_]

---

3. SEC USE ONLY

---

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware corporation

NUMBER OF SHARES	5.	SOLE VOTING POWER	50
BENEFICIALLY	6.	SHARED VOTING POWER	6,537,489

OWNED BY EACH REPORTING PERSON WITH:	7.	SOLE DISPOSITIVE POWER	0
	8.	SHARED DISPOSITIVE POWER	0

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

6,537,539

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES* [_]
N/A

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

8.4%

12. TYPE OF REPORTING PERSON

HC

CUSIP No. 379423-106

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)

Wilmington Trust Company, solely in its fiduciary capacity 51-0055023

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*
(a) [X]
(b) [_]

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware banking corporation

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	5.	SOLE VOTING POWER	0
	6.	SHARED VOTING POWER	6,537,539
	7.	SOLE DISPOSITIVE POWER	0
	8.	SHARED DISPOSITIVE POWER	0

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

6,537,539

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES* [_]
N/A

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

8.4 %

---

12. TYPE OF REPORTING PERSON*

BK

CUSIP No. 379423-106

---

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)

Wilmington Trust FSB, solely in its fiduciary capacity 52-1877389

---

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*
(a) [X]
(b) [_]

---

3. SEC USE ONLY

---

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware banking corporation

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	5.	SOLE VOTING POWER	50
	6.	SHARED VOTING POWER	0
	7.	SOLE DISPOSITIVE POWER	0
	8.	SHARED DISPOSITIVE POWER	0

---

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

50

---

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES* [_]
N/A

---

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

0.0 %

---

12. TYPE OF REPORTING PERSON*

BK

ITEM 1(A). NAME OF ISSUER:

American Financial Group, Inc.

ITEM 1(B). ADDRESS OF ISSUER'S PRINCIPAL EXECUTIVE OFFICES:

580 Walnut Street
9th Floor East
Cincinnati, Ohio 45202

ITEM 2(A). NAME OF PERSON FILING:

Wilmington Trust Corporation, Wilmington Trust Company and Wilmington Trust FSB

ITEM 2(B). ADDRESS OF PRINCIPAL BUSINESS OFFICE, OR IF NONE, RESIDENCE:

1100 North Market Street
Wilmington, DE 19890

ITEM 2(C). CITIZENSHIP:

Wilmington Trust Corporation is a Delaware corporation;
Wilmington Trust Company is a Delaware banking corporation.
Wilmington Trust FSB is a Federal Savings Bank

ITEM 2(D). TITLE OF CLASS OF SECURITIES:

Common Stock

ITEM 2(E). CUSIP NUMBER:

025932-104

ITEM 3. IF THIS STATEMENT IS FILED PURSUANT TO RULE 13D-1(B), OR 13D-2(B) OR (C), CHECK WHETHER THE PERSON FILING IS A:

(a) [_] Broker or dealer registered under Section 15 of the Exchange Act.

(b) [X] Bank as defined in Section 3(a)(6) of the Exchange Act.

Wilmington Trust Company, Wilmington Trust FSB are each Banks and are each direct, wholly-owned subsidiaries of Wilmington Trust Corporation.

(c) [_] Insurance company as defined in Section 3(a)(19) of the Exchange Act.

(d) [_] Investment company registered under Section 8 of the Investment Company Act.

(e) [_] An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E);

(f) [_] An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);

(g) [X] A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G);

Wilmington Trust Corporation is a Parent Holding Company.

(h) [_] A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;

(i) [_] A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act;

(j) [X] Group, in accordance with Rule 13d-1(b)(1)(ii)(J).

Wilmington Trust Corporation, Wilmington Trust Company, Wilmington Trust FSB are a Group.

ITEM 4. OWNERSHIP.

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

(a) Amount beneficially owned:

Wilmington Trust Corporation:	6,537,539 shares
Wilmington Trust Company:	6,537,489 shares
Wilmington Trust FSB:	50 shares

(b) Percent of class:

Wilmington Trust Corporation:	8.4%
Wilmington Trust Company:	8.4%
Wilmington Trust FSB:	0.0%

(c) Number of shares as to which Wilmington Trust Corporation, Wilmington Trust Company and Wilmington Trust FSB have:

(i) Sole power to vote or to direct the vote 50 shares

(ii) Shared power to vote or to direct the vote 6,537,489 shares

(iii) Sole power to dispose or to direct the disposition of 0 shares

(iv) Shared power to dispose or to direct the disposition of 0 shares

ITEM 5. OWNERSHIP OF FIVE PERCENT OR LESS OF A CLASS.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following [ ]

ITEM 6. OWNERSHIP OF MORE THAN FIVE PERCENT ON BEHALF OF ANOTHER PERSON.

Not applicable.

ITEM 7. IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE PARENT HOLDING COMPANY.

Wilmington Trust Company:	BK
Wilmington Trust FSB:	BK

ITEM 8. IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP.

Wilmington Trust Corporation:	HC
Wilmington Trust Company:	BK
Wilmington Trust FSB:	BK

ITEM 9. NOTICE OF DISSOLUTION OF GROUP.

Not applicable.

ITEM 10. CERTIFICATIONS.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

February 14, 2006 WILMINGTON TRUST CORPORATION
WILMINGTON TRUST COMPANY
WILMINGTON TRUST FSB

By: /s/ Michael A. DiGregorio
Senior Vice President

Note. Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7(b) for other parties for whom copies are to be sent.

Attention. Intentional misstatements or omissions of fact constitute federal criminal violations (see 18 U.S.C. 1001).

le="margin:0pt;text-align:center;font-family:Times New Roman;font-size: 10pt;">

Prices

in Active

Significant

Carrying

Markets for

Other

Significant

Loss for

Value at

Identical

Observable

Unobservable

Nine Months Ended

September 27,

Instruments

Inputs

Inputs

September 27,

($ in thousands)

2015

(Level 1)

(Level 2)

(Level 3)

2015

Interest rate swap – cash flow hedge

$

1,074

$

—

$

1,074

$

—

$

574

The table below summarizes the financial liability that was measured at fair value on a recurring basis as of December 31, 2014 and the loss recorded during the year ended December 31, 2014:

($ in thousands)	Carrying Value at December 31, 2014	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Loss for Year Ended December 31, 2014
Interest rate swap – cash flow hedge	$ 1,020	$ —	$ 1,020	$ —	$ 488

The fair value of CTS' interest rate swaps were measured using a market approach which uses current industry information. There is a readily determinable market and these swaps are classified within level 2 of the fair value hierarchy.

Table of Contents

The table below provides a reconciliation of the recurring financial liability related to interest rate swaps:

($ in thousands)	Interest Rate Swaps
Balance at January 1, 2014	$ (998)
Total gains (losses) for the period:	
Included in earnings	488
Included in other comprehensive earnings	(510)
Balance at December 31, 2014	$ (1,020)
Total gains (losses) for the period:	
Included in earnings	574
Included in other comprehensive earnings	(628)
Balance at September 27, 2015	$ (1,074)

CTS' long-term debt consists of a revolving credit facility which is recorded at its carrying value. There is a readily determinable market for CTS' revolving credit debt and it is classified within Level 2 of the fair value hierarchy as the market is not deemed to be active. The fair value of long-term debt was measured using a market approach which uses current industry information and approximates carrying value.

NOTE 15 — Income Taxes

The effective tax rates for 2015 and 2014 are as follows:

	Three Months Ended		Nine Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Effective tax rate	31.2 %	31.9 %	(59.2) %	36.1 %

The 2015 effective tax rate for the three months ended September 27, 2015 reflects the change in the mix of earnings by jurisdiction as well as the impact of true ups related to the filing of 2014 tax returns. For the nine months ended September 27, 2015, the effect of the uncertain tax benefits increased the effective tax rate by 42.9 percentage points and the effect of amending the tax returns for 2006 to 2013 decreased the effective rate by 122.1 percentage points

The 2014 effective tax rate reflected higher profits, primarily from a change in the mix of earnings by jurisdiction, and the effect of tax adjustments which decreased the effective rate by 3.3 percentage points in the third quarter of 2014 and increased the effective rate by 0.4 percentage points in the first nine months of 2014.

CTS' continuing practice is to recognize interest and/or penalties related to income tax matters as income tax expense. For the three and nine months ended September 27, 2015 and September 28, 2014, CTS included $136,000 and $957,000 of interest or penalties in income tax expense. CTS did not accrue any interest or penalties into income tax expense for the three and nine months ended September 28, 2014.

NOTE 16 — Recent Accounting Pronouncements

ASU 2015-16. "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments"

In September 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-16, "Business Combinations (Topic 805) Simplifying the Accounting for Measurement-Period Adjustments of Inventory". The amendments clarify that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The acquirer needs to record, in the same period's financial statements, the effect of changes in depreciation, amortization, or other income as a result of the change to the provisional amounts as if the accounting had been completed at the acquisition date. This amendment requires an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current period earnings by line item as if the provisional adjustments had

22

Table of Contents

been recognized as of the acquisition date. This ASU is effective for fiscal years beginning after December 15, 2015 including interim periods within those fiscal years. These provisions are not anticipated to have a material impact on our financial statements.

ASU 2015-11. “Inventory (Topic 330): Simplifying the Measurement of Inventory”

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330) Simplifying the Measurement of Inventory". The amendments clarify that an entity should measure inventory within the scope of this update at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Substantial and unusual losses that result from subsequent measurement of inventory should be disclosed in the financial statements. This ASU is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The amendments are to be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. These provisions are not anticipated to have a material impact on our financial statements.

ASU 2015-08, “Business Combinations (Topic 805): Pushdown Accounting – amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115”

In May 2015, the FASB issued ASU 2015-08, “Business Combinations (Topic 805): Pushdown Accounting – amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115”. This ASU amends various SEC paragraphs included in the FASB’s ASC to reflect the issuance of Staff Accounting Bulletin (“SAB”) No. 115. SAB 115 rescinds portions of the interpretive guidance included in the SEC’s Staff Accounting Bulletin series and brings existing guidance into conformity with ASU 2014-17, Pushdown Accounting, which provides an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity.

An acquired entity is not only able to apply this amendment to change in control events occurring after the effective date, but is also permitted to apply pushdown accounting as a change in accounting principle to its most recent change in control event that had occurred before the effective date of this new amendment. The decision to apply pushdown accounting to a specific change in control event, if elected by an acquiree, is irrevocable.

The amendment also amends the reporting for a bargain purchase option. The acquired entity would not report a gain in its income statement as a result of a bargain purchase. Rather, the acquiree shall recognize the bargain purchase gain recognized by the acquirer as an adjustment to additional paid-in capital.

This amendment is effective immediately. This amendment does not have a material impact on our financial statements.

ASU 2015-07, “Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)”

In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (“ASU”) 2015-07, “Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)”. This ASU permits a reporting entity, as a practical expedient, to measure the fair value of certain investments using the net asset value per share of the investment. This amendment applies to reporting entities that elect to measure the fair value of an investment within the scope of paragraphs 820-10-15-4 through 15-5 using the net asset value per share (or its equivalent) practical expedient in paragraph 820-10-35-59. This amendment removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. It also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient.

23

Table of Contents

The amendments will be effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. An entity should apply the amendments retrospectively to all periods presented. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient be removed from the fair value hierarchy in all periods presented in an entity's financial statements. These provisions are not anticipated to have a material impact on our financial statements.

ASU 2015-04, "Compensation – Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer's Benefit Obligation and Plan Assets"

In April 2015, FASB issued ASU 2015-04, "Compensation –Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets". The amended guidance permits companies to use a practical expedient which allows an employer to measure defined benefit plan assets and obligations as of the month-end date that is closest to the employer's fiscal year-end (alternative measurement date). An employer using this policy election must apply it consistently to all of its defined benefit plans.

In accordance with this ASU, an employer using the practical expedient is required to adjust the funded status for contributions and other significant events (as defined in paragraph 715-30-35-66) occurring between the alternative measurement date and its fiscal year-end. Paragraph 715-30-35-66 defines a significant event as: a plan amendment, settlement, or curtailment that calls for remeasurement. This ASU also allows employers the use of the practical expedient in interim remeasurements of significant events.

The employer would be required to disclose the election to use the practical expedient and the measurement date of the plan assets and obligations. Early application of this ASU is permitted. Entities must apply the guidance prospectively.

The guidance is effective for financial statements for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The changes would be effective for employee benefit plans for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. These provisions are not anticipated to have a material impact on our financial statements.

ASU 2015-05, "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40) Customer's Accounting for Fees Paid in a Cloud Computing Arrangement"

In April 2015, the FASB issued ASU 2015-05, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40) Customer's Accounting for Fees Paid in a Cloud Computing Arrangement". The amendments in this ASU provide guidance to customers about a customer's accounting for fees paid in a cloud computing arrangement. This ASU clarifies that if a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change U.S. GAAP for a customer's accounting for service contracts. All software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets.

The amendments will be effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. An entity can elect to adopt the amendments either prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. For prospective transition, the disclosure requirements at transition include the nature of and reason for the change in accounting principle, the transition method, and a qualitative description of the financial statement line items affected by the change. For retrospective transition, the disclosure requirements at transition include the requirements for prospective transition and quantitative information about the effects of the accounting change. These provisions are not anticipated to have a material impact on our financial statements.

24

Table of Contents

ASU 2015-03, “Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs”

In April 2015, the FASB issued ASU 2015-03, “Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs”. The amended guidance require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The amendments in this ASU are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years.

Early adoption of this ASU is permitted for financial statements that have not been previously issued. Entities must apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, an entity is required to comply with the applicable disclosures for a change in an accounting principle. These provisions are not anticipated to have a material impact on our financial statements.

ASU 2014-12, “Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period”

In June 2014, the FASB issued ASU 2014-12, “Compensation — Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period”. The amended guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period should be treated as a performance condition.

Current U.S. GAAP does not contain explicit guidance on whether to treat a performance target that could be achieved after the requisite service period as a performance condition that affects vesting or as a nonvesting condition that affects the grant-date fair value of an award. The amendments in this update provide explicit guidance for those awards.

The amendments are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. Entities may apply the amendments either prospectively to all awards granted or modified after the effective date, or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. These provisions are not anticipated to have a material impact on our financial statements.

ASU 2014-09, “Revenue from Contracts with Customers”

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers”. The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance contracts or lease contracts). The new revenue recognition guidance more closely aligns U.S. GAAP with International Financial Reporting Standards ("IFRS"). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

To achieve that core principle, an entity should apply the following steps:

Step 1:Identify the contract(s) with a customer.

Step 2:Identify the performance obligations in the contract.

Step 3:Determine the transaction price.

Step 4:Allocate the transaction price to the performance obligations in the contract.

Step 5:Recognize revenue when (or as) the entity satisfies a performance obligation.

25

Table of Contents

The guidance is effective for annual periods beginning on or after December 15, 2017 and interim periods within that reporting period. Early adoption is permitted provided that it is not before the original effective date of December 15, 2016. These provisions of this guidance are still being evaluated. The impact on CTS' financial statements has not yet been determined.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")

The following discussion should be read in conjunction with our unaudited Condensed Consolidated Financial Statements and notes included under Item 1, as well as our Consolidated Financial Statements and notes and related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Overview

CTS Corporation ("CTS", "we", "our" or "us") is a global manufacturer of electronic components and sensors used primarily in the automotive, communications, defense and aerospace, medical, industrial and computer markets.

Results of Operations: Third Quarter 2015 versus Third Quarter 2014

The following table highlights changes in significant components of the Unaudited Condensed Consolidated Statements of Earnings for the quarters ended September 27, 2015 and September 28, 2014:

(Amounts in thousands, except percentages and per share amounts)	Three Months Ended September 27, 2015	September 28, 2014	Percent Change	Percent of Net Sales – 2015	Percent of Net Sales – 2014
Net sales	$ 90,646	$ 99,957	(9.3)	100.0	100.0
Cost of goods sold(1)	59,200	67,458	(12.2)	65.3	67.5
Gross margin	31,446	32,499	(3.2)	34.7	32.5
Selling, general and administrative expenses	12,690	13,899	(8.7)	14.0	13.9
Research and development expenses	5,692	5,807	(2.0)	6.3	5.8
Non-recurring environmental charge	14,541	—	—	16.0	—
Restructuring and impairment charges	2,373	1,570	51.1	2.6	1.6
Total operating expenses	35,296	21,276	65.9	38.9	21.3
Operating (loss) earnings	(3,850)	11,223	(134.3)	(4.2)	11.2
Other (expense) income	(3,073)	701	(538.4)	(3.4)	0.7
Earnings before income taxes	(6,923)	11,924	(158.1)	(7.6)	11.9
Income tax expense (benefit)	(2,163)	3,807	(156.8)	(2.4)	3.8
Net (loss) earnings	$ (4,760)	$ 8,117	(158.6)	(5.2)	8.1
(Loss) earnings per share:					
Diluted net earnings per share	$ (0.15)	$ 0.24			

(1) Cost of goods sold includes restructuring related charges of $152 in 2015 and $494 in 2014.

Sales of $90,646,000 in the third quarter of 2015 decreased $9,311,000 or 9.3% from the third quarter of 2014. Sales to automotive markets declined $4,486,000 due to lower volumes and unfavorable foreign exchange impact. Other sales declined $4,825,000 due to lower volume of electronic components. Changes in foreign exchange rates caused $1,700,000 of the total sales decrease, driven by the U.S. Dollar appreciating compared to the Euro and relating mostly to sales of automotive products.

Gross margin as a percent of sales was 34.7% in the third quarter of 2015 compared to 32.5% in the third quarter of 2014. The increase in gross margin resulted from continued efficiency gains, material and labor productivity projects and savings from restructuring projects. In addition, foreign exchange rates had a favorable impact on manufacturing costs as the U.S. Dollar appreciated against various local currencies in countries in which we have manufacturing operations.

Selling, general and administrative expenses were $12,690,000 or 14.0% of sales in the third quarter of 2015 versus $13,899,000 or 13.9% of sales in the comparable quarter of 2014. The decrease was primarily due to continued

Table of Contents

efficiency gains from restructuring projects implemented over the past several quarters as well as cost containment efforts.

Research and development expenses were $5,692,000 or 6.3% of sales in the third quarter of 2015 compared to $5,807,000 or 5.8% of sales in the comparable quarter of 2014. Research and development expenses are focused on expanded applications of existing products and new product development as well as current product and process enhancements.

A non-recurring environmental charge of $14,541,000 that was recorded in the third quarter of 2015 related to a site in Asheville, North Carolina. The charge recorded includes both the interim remediation proposed by CTS and accepted by the Environmental Protection Agency ("EPA") and anticipated future remediation costs and monitoring for a final site-wide remediation. As assessments and cleanups proceed, CTS may need to adjust its reserve for the Asheville site based on progress made in determining the extent of remedial actions and related costs.

Restructuring and impairment charges in the third quarter totaled $2,373,000 and consist primarily of severance, transition and shutdown costs related to the consolidation of CTS' Canadian operation in Streetsville, Ontario into other CTS facilities. Also included in the third quarter charges are severance and restructuring costs in Singapore and China. The third quarter 2014 restructuring charges totaled $1,570,000 and consisted primarily of accruals for severance costs related to the consolidation of CTS' Canadian operation into other CTS facilities, severance costs in China and at CTS's corporate office as well as a lease impairment charge in the UK.

Operating loss was $3,850,000 or 4.2% of sales in the third quarter of 2015 compared to earnings of $11,223,000 or 11.2% of sales in the comparable quarter of 2014 as a result of the items discussed above. Other income and expense items are summarized in the following table:

	Three Months Ended	
($ in thousands)	September 27, 2015	September 28, 2014
Interest expense	$ (714)	$ (568)
Interest income	713	707
Other (expense) income, net	(3,072)	562
Total other (expense) income	$ (3,073)	$ 701

Interest expense increased in the third quarter of 2015 versus the third quarter of 2014 primarily due to higher outstanding debt in 2015. Interest income increased slightly due to higher cash balances. The increase in other expense in the third quarter of 2015 was driven by unfavorable foreign currency losses, primarily due to the appreciation of the U.S. Dollar compared to the Chinese Renminbi, while other income in the third quarter of 2014 was driven by collection of bad debts and favorable foreign exchange impact related to the appreciation of the Chinese Renminbi which was partially offset by unfavorable foreign exchange impact related to the depreciation of the Euro.

	Three Months Ended			
	September 27, 2015		September 28, 2014	
Effective tax rate	31.2	%	31.9	%

The effective income tax rate for the third quarter of 2015 was 31.2%, which reflects the change in the mix of earnings by jurisdiction as well as the impact of true ups related to the filing of 2014 tax returns. In the third quarter of 2014, the effective tax rate was 31.9%, which reflected higher profits, primarily from a change in the mix of earnings by jurisdiction and the effect of tax adjustments which decreased the effective rate by 3.3%.

Table of Contents

Results of Operations: Nine months ended September 27, 2015 versus nine months ended September 28, 2014

The following table highlights changes in significant components of the Unaudited Condensed Consolidated Statements of Earnings for the nine month periods ended September 27, 2015 and September 28, 2014:

(Amounts in thousands, except percentages and per share amounts):

(Amounts in thousands, except percentages and per share amounts)	Nine months ended September 27, 2015	September 28, 2014	Percent Change	Percent of Net Sales – 2015	Percent of Net Sales – 2014
Net sales	$ 289,028	$ 303,643	(4.8)	100.0	100.0
Cost of goods sold(1)	192,073	206,706	(7.1)	66.5	68.1
Gross margin	96,955	96,937	0.0	33.5	31.9
Selling and general and administrative expenses	43,625	43,353	0.6	15.1	14.3
Research and development expenses	16,378	16,765	(2.3)	5.7	5.5
Non-recurring environmental charge	14,541	—	—	5.0	—
Restructuring and impairment charges	5,229	4,806	8.8	1.8	1.6
Total operating expenses	79,773	64,924	22.9	27.6	21.4
Operating earnings	17,182	32,013	(46.3)	5.9	10.5
Other expense	(4,242)	(1,422)	198.3	(1.4)	(0.5)
Earnings before income taxes	12,940	30,591	(57.7)	4.5	10.1
Income tax expense (benefit)	(7,667)	11,033	(169.5)	(2.6)	3.6
Net earnings	$ 20,607	$ 19,558	5.4	7.1	6.4
Earnings per share:					
Diluted net earnings per share	$ 0.61	$ 0.57			

(1) Cost of goods sold includes restructuring related costs of $444 in 2015 and $1,404 in 2014.

Sales of $289,028,000 in the first nine months of 2015 decreased $14,615,000 or 4.8% from the comparable period of 2014. Sales to automotive markets decreased $11,008,000 due to lower volumes and unfavorable foreign exchange impact. Other sales declined $3,607,000 due to lower volumes of electronic components. Changes in foreign exchange rates caused $6,200,000 of the total sales decrease, driven by the U.S Dollar appreciating compared to the Euro and relating mostly to sales of automotive products.

Gross margin as a percent of sales was 33.5% in the first nine months of 2015 versus 31.9% in the comparable period of 2014. The increase in gross margin resulted from continued efficiency gains, material and labor productivity projects and savings from restructuring projects. In addition, foreign exchange rates had a favorable impact on manufacturing costs as the U.S. Dollar appreciated against various local currencies in countries in which we have manufacturing operations.

Selling, general and administrative expenses were $43,625,000 or 15.1% of sales in the nine month period of 2015 versus $43,353,000 or 14.3% of sales in the comparable period of 2014.

Research and development expenses were $16,378,000 or 5.7% of sales in the nine month period of 2015 compared to $16,765,000 or 5.5% of sales in the comparable period of 2014. Research and development expenses are primarily focused on expanded applications of existing products and new product development as well as current product and process enhancements.

A non-recurring environmental charge of $14,541,000 that was recorded in the third quarter of 2015 related to a site in Asheville, North Carolina. The charge recorded includes both the interim remediation proposed by CTS and accepted by the EPA and anticipated future remediation costs and monitoring for a final site-wide remediation. As assessments and

29

cleanups proceed, CTS may need to adjust its reserve for the Asheville site based on progress made in determining the extent of remedial actions and related costs.

Restructuring and impairment charges for the nine month period ending September 27, 2015 totaled $5,229,000 and consist primarily of severance, training and shutdown costs related to the consolidation of CTS' Canadian operation in Streetsville, Ontario into other CTS facilities. Also included in 2015 are costs to close the Brugg facility as well as other severance and restructuring costs in Singapore and China. Restructuring and impairment charges for the nine month period ending September 28, 2014 totaled $4,806,000 and consisted primarily of severance costs related to the consolidation of CTS' Canadian operation into other CTS facilities, severance costs in China and at CTS' corporate office and lease impairment costs in the UK.

Operating earnings were $17,182,000 or 5.9% of sales for the nine month period ending September 27, 2015 compared to $32,013,000 or 10.5% of sales in the comparable period of 2014 as a result of the items discussed above. Other income and expense items are summarized in the following table:

	Nine Months Ended	
	September 27,	September 28,
($ in thousands)	2015	2014
Interest expense	$ (1,955)	$ (1,763)
Interest income	2,354	1,959
Other income, net	(4,641)	(1,618)
Total other income (expense)	$ (4,242)	$ (1,422)

Interest expense increased in the nine month period of 2015 versus the comparable period in 2014 as a result of higher outstanding borrowings in 2015. Interest income increased primarily due to higher cash balances. Other expense in the nine month period of 2015 increased as the amount of currency related impact in 2015 was significantly higher than foreign currency impact in same period of 2014. The foreign currency loss in 2015 and 2014 was primarily due to the appreciation of the U.S. Dollar compared to the Chinese Renminbi and the Euro.

	Nine Months Ended	
	September 27,	September 28,
	2015	2014
Effective tax rate	(59.2) %	36.1 %

The effective income tax rate for the nine months ending September 27, 2015 was a negative 59.2%. The effect of uncertain tax benefits increased the effective tax rate by 42.9 percentage points and the effect of amending the tax returns for 2006 to 2013 decreased the effective rate by 122.1 percentage points. The effective income tax rate for the nine months ending September 28, 2014 was 36.1%. The 2014 effective rate reflects higher profits primarily from a change in the mix of earnings by jurisdiction and the effect of tax adjustments made in the comparable period of 2014.

Liquidity and Capital Resources

Cash and cash equivalents were $150,755,000 at September 27, 2015 and $134,508,000 at December 31, 2014. The increase in cash and cash equivalents was driven by cash generated from operations which exceeded the cash used for financing and investing activities. Total debt as of September 27, 2015 was $90,500,000 and at December 31, 2014 was $75,000,000. Total debt as a percentage of total capitalization was 23.4% at September 27, 2015 compared to 20.6% at December 31, 2014. Total debt as a percentage of total capitalization is defined as the sum of notes payable and long-term debt as a percentage of total debt and shareholders' equity.

Working capital increased by $5,686,000 from December 31, 2014 to September 27, 2015, primarily due to a $16,247,000 increase cash and cash equivalents and a $3,860,000 decrease in accounts payable which were partially offset by a $15,481,000 increase in accrued liabilities and payroll and benefits. The increase in accrued liabilities was driven by a $14,541,000 environmental charge noted in the Results of Operations section of the MD&A.

30

Table of Contents

Cash Flows from Operating Activities

Net cash provided by operating activities was $24,118,000 during the first nine months of 2015. Components of net cash provided by operating activities included net earnings of $20,607,000, an environmental charge of $14,541,000, depreciation and amortization expense of $11,987,000 and net changes of other non-cash items such as amortization of retirement benefits adjustments, equity based compensation, restructuring charges and prepaid pension asset totaling $6,075,000 which were offset by net changes in assets and liabilities of $29,092,000. The net changes in assets and liabilities were primarily driven by increases in deferred income taxes and accounts receivable and decreases in accounts payable and accrued liabilities.

Cash Flows from Investing Activities

Net cash used in investing activities for the first nine months of 2015 was $4,681,000, which was comprised of $6,559,000 for capital expenditures partially offset by a $1,878,000 gain on sale of assets.

Cash Flows from Financing Activities

Net cash used by financing activities for the first nine months of 2015 was $3,899,000. The primary driver for the cash outflow from financing activities were $15,623,000 paid to purchase shares of CTS common stock and $3,984,000 of dividend payments which were partially offset by a $15,500,000 increase in net borrowings.

Capital Resources

On August 10, 2015, CTS entered into a five-year credit agreement with a group of banks ("Revolving Credit Facility") in order to support CTS' working capital needs and other general corporate purposes. The Revolving Credit Facility provides for a credit line of $200,000,000, which may be increased by $100,000,000 at the request of CTS, subject to an Administrative Agent's approval. This Revolving Credit Facility replaces the prior unsecured credit facility. Borrowings of $93,000,000 under the previous credit agreement were refinanced under the new Revolving Credit Facility and the previous credit agreement was terminated as of August 10, 2015.

Long term debt was comprised of the following:

	As of	
($ in thousands)	September 27, 2015	December 31, 2014
Revolving credit facility due in 2020	$ 90,500	$ 75,000
Weighted average interest rate	1.5 %	1.5 %
Amount available	$ 107,185	$ 122,535
Total credit facility	$ 200,000	$ 200,000
Standby letters of credit	$ 2,315	$ 2,465
Commitment fee percentage per annum	0.30	0.25

The revolving credit facility requires, among other things, that CTS comply with a maximum total leverage ratio and a minimum fixed charge coverage ratio. Failure of CTS to comply with these covenants could reduce the borrowing availability under the revolving credit facility. CTS was in compliance with all debt covenants at September 27, 2015.

CTS uses interest rate swaps to convert the revolving credit facility's variable rate of interest into a fixed rate. In the second quarter of 2012, CTS entered into four separate interest rate swap agreements to fix interest rates on $50,000,000 of long-term debt for the periods January 2013 to January 2017. In the third quarter of 2012, CTS entered into four separate interest rate swap agreements to fix interest rates on $25,000,000 of long-term debt for the periods January 2013 to January 2017. The difference to be paid or received under the terms of the swap agreements will be recognized as an adjustment to interest expense when settled.

During the first nine months of 2015, we repurchased 851,882 shares of CTS common stock at a total cost of $15,623,000, or an average price of $18.34 per share.

31

Table of Contents

As of September 27, 2015, CTS' intent is to permanently reinvest funds outside the U.S. Any repatriation may not result in significant cash income tax payments as the taxable event would likely be offset by the utilization of the then available net operating losses and tax credits. CTS does not provide for U.S. income taxes on undistributed earnings of its foreign subsidiaries that are intended to be permanently reinvested.

We have historically funded our capital and operating needs primarily through cash flows from operating activities, supported by available credit under our credit agreements. We believe that cash flows from operating activities and available borrowings under our current credit agreements will be adequate to fund our working capital, capital expenditures and debt service requirements for at least the next twelve months. However, we may choose to pursue additional equity and debt financing to provide additional liquidity or to fund acquisitions.

Critical Accounting Policies and Estimates

Management prepared the consolidated financial statements of CTS under accounting principles generally accepted in the United States of America. These principles require the use of estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions we used are reasonable, based upon the information available.

Our estimates and assumptions affect the reported amounts in our financial statements. The following accounting policies comprise those that we believe are the most critical in understanding and evaluating CTS' reported financial results.

Revenue Recognition

Product revenue is recognized once four criteria are met: (1) we have persuasive evidence that an arrangement exists; (2) delivery has occurred and title has passed to the customer, which generally happens at the point of shipment provided that no significant obligations remain; (3) the price is fixed and determinable; and (4) collectability is reasonably assured.

Accounts Receivable

We have standardized credit granting and review policies and procedures for all customer accounts, including:

- Credit reviews of all new customer accounts,
- Ongoing credit evaluations of current customers,
- Credit limits and payment terms based on available credit information,
- Adjustments to credit limits based upon payment history and the customer's current credit worthiness,
- An active collection effort by regional credit functions, reporting directly to the corporate financial officers, and
- Limited credit insurance on the majority of our international receivables.

We reserve for estimated credit losses based upon historical experience and specific customer collection issues. Over the last three years, accounts receivable allowance varied from 0.2% to 0.5% of total accounts receivable. We believe our allowance for doubtful accounts is appropriate considering the quality of the portfolio. While credit losses have historically been within expectations and the provisions established, we cannot guarantee that our credit loss experience will continue to be consistent with historical experience.

Inventories

We value our inventories at the lower of the actual cost to purchase or manufacture using the first in, first out (“FIFO”) method, or the current estimated market value. We review inventory quantities on hand and record a reserve for excess and obsolete inventory based on forecasts of product demand and production requirements.

32

Table of Contents

Over the last three years, our reserves for excess and obsolete inventories have ranged from 8.1% to 15.3% of gross inventory. We believe our reserve level is appropriate considering the quantities and quality of the inventories.

Retirement Plans

Actuarial assumptions are used in determining pension income and expense and our pension benefit obligation. We utilize actuaries from consulting companies in each country to develop our discount rates that match high quality bonds currently available and expected to be available during the period to maturity of the pension benefit in order to provide the necessary future cash flows to pay the accumulated benefits when due. After considering the recommendations of our actuaries, we have assumed a discount rate, expected rate of return on plan assets and a rate of compensation increase in determining our annual pension income and expense and the projected benefit obligation. During the fourth quarter of each year, we review our actuarial assumptions in light of current economic factors to determine if the assumptions need to be adjusted. Changes in the actuarial assumptions could have a material effect on our results of operations.

Valuation of Goodwill

Goodwill of a reporting unit is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Examples of such events or circumstances include:

Significant adverse change in legal factors or in the business climate,

Adverse action or assessment by a regulator,

Unanticipated competition,

Loss of key personnel,

More likely than not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of,

Testing for recoverability of a significant asset group within a reporting unit, and

Allocation of a portion of goodwill to a business to be disposed of.

If CTS believes that one or more of the above indicators of impairment have occurred, it performs an impairment test. The performance of the test involves a two step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. We generally determine the fair value of our reporting units using two valuation methods: Income Approach — Discounted Cash Flow Method and Market Approach — Guideline Public Company Method. The approach defined below is based upon our last impairment test conducted as of December 31, 2014.

Under the “Income Approach — Discounted Cash Flow Method”, the key assumptions consider sales, cost of sales and operating expenses projected through the year 2018. These assumptions were determined by management utilizing our internal operating plan and assuming growth rates for revenues and operating expenses, and margin assumptions. The fourth key assumption under this approach is the discount rate which is determined by looking at current risk free rates of capital, current market interest rates and the evaluation of risk premium relevant to the business segment. If our assumptions relative to growth rates were to change or were incorrect, our fair value calculation may change which could result in impairment.

Under the “Market Approach — Guideline Public Company Method”, we identified eight publicly traded companies, including CTS, which we believe have significant relevant similarities. For these eight companies, we calculated the mean ratio of invested capital to revenues and invested capital to EBITDA. Similar to the Income approach discussed above, sales, cost of sales, operating expenses and their respective growth rates were the key assumptions utilized. The market prices of CTS and other guideline company shares are key assumptions. If these market prices increase, the estimated market value would increase. If the market prices decrease, the estimated market value would decrease.

Table of Contents

The results of these two methods are weighted based upon management's determination. The Market approach is based upon historical and current economic conditions, which might not reflect the long term prospects or opportunities for CTS' business being evaluated.

If the carrying amount of a reporting unit exceeds the reporting unit's fair value, we perform the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill.

There have not been any significant changes to our impairment testing methodology other than updating the assumptions to reflect the current market environment. As discussed above, key assumptions used in the first step of the goodwill impairment test were determined by management utilizing the internal operating plan. The key assumptions utilized include forecasted growth rates for revenues and operating expenses as well as a discount rate which is determined by looking at current risk free rates of capital, current market interest rates and the evaluation of a risk premium relevant to the business segment. CTS will monitor future results and will perform a test if indicators trigger an impairment review.

We test the impairment of goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Based upon our latest assessment, we determined that our goodwill was not impaired as of the end of December 2014.

Valuation of Long Lived and Other Intangible Assets

We evaluate the impairment of identifiable intangibles and other long lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered that may trigger an impairment review consist of:

Significant underperformance relative to expected historical or projected future operating results,

Significant changes in the manner of use of the acquired assets or the strategy for the overall business,

Significant negative industry or economic trends,

Significant decline in CTS' stock price for a sustained period, and

Significant decline in market capitalization relative to net book value.

If CTS believes that one or more of the above indicators of impairment have occurred and the undiscounted cash flow test has failed in the case of amortizable assets, it measures impairment based on projected discounted cash flows using a discount rate that incorporates the risk inherent in the cash flows.

Income Taxes

CTS has identified, evaluated, and measured the amount of income tax benefits to be recognized for all of our income tax positions. Included in deferred tax assets are amounts related to federal, state and foreign net operating losses. CTS intends to utilize these net operating loss carryforwards to offset future income taxes.

CTS' practice is to recognize interest and penalties related to income tax matters as part of income tax expense.

CTS earns a significant amount of its operating income outside of the U.S., which is deemed to be permanently reinvested in foreign jurisdictions. CTS does not intend to repatriate funds, however, should CTS require more capital in the U.S. than is generated by our operations locally, CTS could elect to repatriate funds held in foreign jurisdictions or raise capital in the U.S. through debt or equity issuances. Repatriation could result in higher effective tax rates. Borrowing in the U.S. would result in increased interest expense.

34

Table of Contents

Significant Customer

Our net sales to significant customers as a percentage of total net sales were as follows:

	Three Months Ended				Nine Months Ended			
	September 27, 2015		September 28, 2014		September 27, 2015		September 28, 2014	
Customer A	11.7	%	11.3	%	10.5	%	10.6	
Customer B	10.3	%	8.7	%	9.5	%	7.9	
Customer C	10.0	%	7.9	%	9.0	%	7.6	

No other customer accounted for 10% or more of total net sales during these periods.

Forward Looking Statements

This document contains statements that are, or may be deemed to be, forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward looking statements include, but are not limited to, any financial or other guidance, statements that reflect our current expectations concerning future results and events, and any other statements that are not based solely on historical fact. Forward looking statements are based on management's expectations, certain assumptions and currently available information. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date hereof and are based on various assumptions as to future events, the occurrence of which necessarily are subject to uncertainties. These forward looking statements are made subject to certain risks, uncertainties and other factors, which could cause our actual results, performance or achievements to differ materially from those presented in the forward looking statements. Examples of factors that may affect future operating results and financial condition include, but are not limited to: changes in the economy generally and in respect to the business in which CTS operates; unanticipated issues in integrating acquisitions; the results of actions to reposition our business; rapid technological change; general market conditions in the automotive, communications, and computer industries, as well as conditions in the industrial, defense and aerospace, and medical markets; reliance on key customers; unanticipated natural disasters or other events; the ability to protect our intellectual property; pricing pressures and demand for our products; unanticipated developments that could occur with respect to contingencies such as litigation and environmental matters as well as any product liability claims; and risks associated with our international operations, including trade and tariff barriers, exchange rates and political and geopolitical risks. Many of these and other risks and uncertainties are discussed in further detail in Item 1A. of this Annual Report on Form 10 K for the fiscal year ended December 31, 2014. We undertake no obligation to publicly update our forward looking statements to reflect new information or events or circumstances that arise after the date hereof, including market or industry changes.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our market risk since December 31, 2014.

Item 4. Controls and Procedures

Pursuant to Rule 13a-15(e) of the Securities and Exchange Act of 1934, management, under the direction of our Chief Executive Officer and Chief Financial Officer, evaluated our disclosure controls and procedures. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 27, 2015.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting for the quarter ended September 27, 2015 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Table of Contents

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We manufacture accelerator pedals for a number of automobile manufacturers, including subsidiaries of Toyota. In January 2010, Toyota initiated a recall of a substantial number of vehicles in North America containing pedals manufactured by CTS. The recall expanded to include vehicles in Europe and Asia. The pedal recall and associated events have led to us being named as a co defendant with Toyota in certain litigation in the United States and Canada. CTS is not aware of any legal actions filed in Asia or Europe against CTS at this time.

In February 2010, we entered into an agreement with Toyota whereby Toyota agreed that it will indemnify, defend, and hold us harmless from, and the parties will cooperate in the defense of, certain third party civil claims and actions that are filed or asserted in the United States or Canada and that arise from or relate to alleged incidents of unintended acceleration of Toyota and Lexus vehicles. Under our agreement with Toyota, if it is determined that CTS acted negligently in selecting materials or processes where we had sole control over the selection process, in failing to meet Toyota's specifications, or in making unapproved changes in component design or materials, and such negligence caused or contributed to a claim, we will be responsible for any judgment that may be rendered against us individually, or any portion of a judgment that may be allocated to us, but limited only to the extent of insurance collected from our insurers. Toyota would remain responsible to defend CTS in these actions and would remain responsible for any balance of the remaining liability over amounts recovered by insurance. The agreement also does not cover costs or liabilities in connection with government investigations, government hearings, or government recalls.

Presently, we have been served process and are a named co defendant with Toyota in approximately thirty one lawsuits. The claims generally fall into two categories, those that allege sudden unintended acceleration of Toyota vehicles led to injury or death, and those that allege economic harm to owners of Toyota vehicles related to vehicle defects. Some suits combine elements of both. Claims include demands for compensatory and special damages. To date, the only actions filed where we are aware we have been named as a co defendant are civil actions filed in the Unites States or Canada. All currently open lawsuits are subject to the indemnification agreement described above. Some of these lawsuits arise out of incidents involving models for which we do not manufacture the pedal, such as all Lexus models, the Toyota Prius, and the Toyota Tacoma, or for which we manufacture only a portion of the pedals, such as the Toyota Camry. Many lawsuits have been consolidated in federal multidistrict litigation in the United States District Court, Southern District of California, though some remain in various other courts.

Certain other claims are pending against us with respect to matters arising out of the ordinary conduct of our business. For all other claims, in the opinion of management, based upon presently available information, either adequate provision for anticipated costs have been accrued or the ultimate anticipated costs will not materially affect our consolidated financial position, results of operations or cash flows. However, given the uncertainty, the complexity and the many variables involved in litigation and other claims, our actual costs may differ from our estimates.

Item 1A. Risk Factors

There have been no significant changes to our risk factors since December 31, 2014.

36

Table of Contents

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes the repurchases of CTS common stock during the three months ended September 27, 2015 made by the Company under the expanded repurchase program announced on April 27, 2015:

	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Plans or Program	(d) Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs(2)
Balance at June 28, 2015				$ 24,272,100
June 29, 2015 – July 26, 2015	95,000	$ 19.11	95,000	$ 22,456,732
July 27, 2015 – August 23, 2015	70,000	$ 18.94	70,000	$ 21,130,813
August 24, 2015 – September 27, 2015	60,000	$ 18.54	60,000	$ 20,018,377
Total	225,000	$ 18.91	225,000	

(1) On April 27, 2015, CTS announced that its Board of Directors authorized an expansion to its repurchase program by authorizing the purchase of an additional $25 million dollars of its common stock in the open market. This authorization has no expiration.

Table of Contents

Item 6. Exhibits

(10)(a)	Credit Agreement between CTS Corporation and BMO Harris Bank N.A dated August 10, 2015 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on August 12, 2015).
(31)(a)	Certification pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
(31)(b)	Certification pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
(32)(a)	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
(32)(b)	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CTS Corporation	CTS Corporation
/s/ Luis F. Machado	/s/ Ashish Agrawal
Luis F. Machado	Ashish Agrawal
Vice President, General Counsel and Secretary	Vice President and Chief Financial Officer
Dated: October 27, 2015	Dated: October 27, 2015