

CTS CORP  
Form DEF 14A  
April 28, 2008

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**CTS CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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April 28, 2008

Dear CTS Shareholder:

You are cordially invited to attend the 2008 Annual Meeting of Shareholders of CTS Corporation. The meeting will be held on Friday, May 30, 2008, at 9:00 a.m. Eastern Daylight Time, in the Auditorium of the CTS corporate office, located at 905 West Boulevard North, in Elkhart, Indiana.

The official meeting notice, the proxy statement and the proxy form are enclosed. These materials were first mailed to shareholders on April 28, 2008. We hope you will attend the meeting in person. Whether you plan to attend the meeting or not, we encourage you to read this proxy statement and vote your shares. The vote of every shareholder is important.

We look forward to seeing you at the meeting.

Vinod M. Khilnani  
President and Chief  
Executive Officer

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**Notice of the Annual Meeting of Shareholders**

**To Be Held On  
May 30, 2008**

To CTS Shareholders:

The 2008 Annual Meeting of Shareholders of CTS Corporation will be held on Friday, May 30, 2008 at 9:00 a.m. Eastern Daylight Time, at the CTS Corporate office located at 905 West Boulevard North, in Elkhart, Indiana. To obtain directions to the corporate office, please call (574) 523-3800.

Only shareholders of record at the close of business on April 15, 2008 may vote at this meeting or any adjournments that may take place. At the meeting, shareholders will vote on:

1. Election of directors for the ensuing year;
2. Ratification of the appointment of Grant Thornton LLP as CTS independent auditor for 2008; and
3. Any other business properly presented at the meeting.

Your Board of Directors recommends that you vote in favor of the director-nominees and ratify the appointment of Grant Thornton LLP.

By Order of the Board of Directors,

Richard G. Cutter  
Secretary

April 28, 2008

**Your vote is important.  
Please date, sign and promptly mail the enclosed proxy card.  
No postage is required if mailed in the United States.**

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**PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS**

**To be held on  
May 30, 2008**

This proxy statement was first mailed to shareholders on April 28, 2008, and is furnished in connection with the solicitation by the CTS Corporation Board of Directors of proxies to be voted at the Annual Meeting of Shareholders. Following is important information in a question-and-answer format regarding the meeting and this proxy statement.

**Q: On what may I vote?**

- A: (1) Election of director-nominees to serve on the Board of Directors; and
- (2) Ratification of the appointment of Grant Thornton LLP as CTS independent auditor for 2008.

**Q: How does the Board of Directors recommend that I vote?**

- A: The Board of Directors recommends that you vote:
- (1) FOR each of the director-nominees named below; and
- (2) FOR Grant Thornton LLP as CTS independent auditor for 2008.

**Q: How will voting on any other business be conducted?**

- A: We are not aware of any other business to be brought before the shareholders at the 2008 Annual Meeting of Shareholders other than as described in this proxy statement. However, if any other business is properly presented for shareholder consideration, your signed proxy card gives authority to Roger R. Hemminghaus, Chairman of the Board of Directors and Richard G. Cutter, Vice President, Secretary and General Counsel, to vote on those matters at their discretion.

**Q: How many votes are needed for approval of each proposal presented in this proxy statement?**

- A: Assuming that at least a majority of CTS common shares are represented at the Annual Meeting, either in person or by proxy:
- (1) The nine director-nominees receiving the most votes will be elected. Only votes cast for a nominee will be counted. Your proxy will be voted for the nine director-nominees unless it contains contrary instructions. Abstentions, broker non-votes and instructions on your proxy to withhold authority to vote for one or more of the nominees will result in those nominees receiving fewer votes; and,
- (2) The Audit Committee's appointment of Grant Thornton LLP as CTS auditor for 2008 will be ratified if a majority of the shares present support the appointment. With respect to this proposal, abstentions will have the same effect as a vote against the proposal. Broker non-votes will not be voted for or against the proposal and will

not be counted as entitled to vote.

**Q: Who is entitled to vote?**

A: Shareholders on the close of business on April 15, 2008, which is referred to as the Record Date, are entitled to vote at the Annual Meeting. As of close of business on the Record Date, there were



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33,635,219 shares of CTS common stock issued and outstanding. Every shareholder of common stock is entitled to one vote for each share of common stock held on the Record Date.

**Q: How do I vote?**

A: Please sign and date each proxy card that you receive and return it at your earliest convenience in the prepaid envelope provided. If you return your signed proxy card but do not mark the boxes showing how you wish to vote, your shares will be voted FOR the director-nominees and FOR Grant Thornton LLP as CTS auditor for 2008. Even if you return your proxy card, you still have the right to revoke your proxy or change your vote at any time before the Annual Meeting. If you wish to revoke your proxy or change your vote, notify CTS Secretary by returning a later-dated proxy card, or vote in person at the meeting.

**Q: How can I vote shares of stock that I hold under the CTS Corporation Retirement Savings Plan?**

A: The CTS Corporation Retirement Savings Plan is CTS 401(k) plan. JP Morgan Chase Bank, the plan trustee, will vote the shares in your account according to your instructions. If you return your signed proxy card but do not mark the boxes showing how you wish to vote, your shares will be voted FOR the director-nominees and FOR Grant Thornton LLP as CTS auditor for 2008 in the same proportion as the shares properly voted by other participants who hold shares under the plan. You must provide instructions or make changes to your instructions on how to vote shares in your CTS Corporation Retirement Savings Plan on or before May 23, 2008. On that date, your instructions will be transmitted to the plan trustee and cannot be changed.

**Q: What does it mean if I get more than one proxy card?**

A: It means that you hold CTS shares registered in more than one account. Please sign and return **all** proxy cards you receive to ensure that all your shares are voted.

**Q: Who solicits proxies and how much will this proxy solicitation cost?**

A: In February 2008, CTS Corporation hired Georgeson & Co., Inc. to solicit votes for a fee of \$6,000. CTS also reimburses Georgeson for reasonable expenses, fees charged by banks, brokers and other custodians, fiduciaries and nominees for their costs of sending proxy and solicitation materials to our shareholders. Broadridge, Inc. also distributes proxy materials on CTS behalf and is reimbursed by CTS for mailing and distribution expenses. In addition, proxies may be solicited by executive officers of CTS, for which no additional compensation is paid.

**Q: Other members of my household and I hold shares of CTS stock in street name and we received only one copy of the proxy statement and one annual report. How can we receive additional copies of these materials?**

A: Under the Securities and Exchange Commission's householding rules, a corporation or broker who provides notice may deliver a single copy of the proxy statement and annual report to shareholders who share an address unless a shareholder submits contrary instructions. If you would prefer to receive separate copies of these documents in the future, you may notify your broker or you may direct a written or oral request to CTS Corporation, Investor Relations, 905 West Boulevard North, Elkhart, Indiana 46514; you can call (574) 523-3800 and ask to speak to our Investor Relations staff; or, you may send an e-mail to [shareholder.services@ctscorp.com](mailto:shareholder.services@ctscorp.com). If your household is currently receiving multiple copies of the proxy statement and annual report and you would prefer to receive only a single copy in the future, you may notify your broker or direct a request to the address, phone number or e-mail address immediately above.

**Q: How may a shareholder nominate a candidate for election to the CTS Board of Directors?**

A: Director-nominees for the 2009 Annual Meeting of Shareholders may be nominated by shareholders by sending a written notice to the corporate office to the attention of Richard Cutter, Vice President, General Counsel and Secretary for CTS Corporation. Pursuant to the CTS Corporation bylaws, all nominations must be received no earlier than January 16, 2009 and no later than March 2, 2009. The notice of

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nomination is required to contain certain representations and information about the nominee, which are described in CTS bylaws. Upon request, copies of the bylaws may be obtained free of charge from CTS Secretary, or from CTS website at <http://www.ctscorp.com/governance/bylaws.htm>.

**Q: When are shareholder proposals for the 2009 Annual Meeting due?**

A: CTS advance notice bylaw provisions require that in order to be presented at the 2009 Annual Meeting of Shareholders, any shareholder proposal, including the nomination of a candidate for director, must be in writing and mailed to the corporate office to the attention of Richard Cutter, Vice President, General Counsel and Secretary for CTS Corporation, and must be received no earlier than January 16, 2009 and no later than March 2, 2009. Certain information is required to be included with shareholder proposals, which is described in CTS bylaws. Upon request, copies of the bylaws may be obtained free of charge from CTS Secretary, or from CTS website at <http://www.ctscorp.com/governance/bylaws.htm>.

**PROPOSALS ON WHICH YOU MAY VOTE**

**1. ELECTION OF DIRECTORS**

**2. RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP AS CTS INDEPENDENT AUDITOR FOR 2008.**

**Your Board of Directors recommends a vote FOR the director-nominees and FOR the ratification of the appointment of Grant Thornton LLP.**

**PROPOSAL 1: ELECTION OF DIRECTORS**

CTS Articles of Incorporation provide that the number of directors will be between three and fifteen, as fixed from time to time by the Board of Directors. The CTS Board of Directors has established the current number of authorized directors at nine. There are nine director-nominees for election. Detailed information on each is provided below. All directors are elected annually and serve one-year terms or until their successors are elected and qualified.

**Nominees for the Board of Directors.** Each director-nominee named below is currently a director of CTS Corporation. The ages shown are as of April 28, 2008, the date on which this proxy statement was first mailed to shareholders. Each director-nominee has agreed to serve as a director if elected. If one or more of the nominees becomes unavailable for election, the members of the Board of Directors present at the Annual Meeting will, in their sole discretion and pursuant to authority granted by the proxies, nominate and vote for a replacement director or reduce the authorized number of directors.

**WALTER S. CATLOW**  
Age 63

Director since 1999

Mr. Catlow served as President of Ameritech Cellular Services, a wireless communications service provider, from 1998 until his retirement in 2000. Mr. Catlow previously served as Executive Vice President of Ameritech and as President of Ameritech International, Inc., where he directed Ameritech international investments and was responsible for global acquisitions and alliances.

**LAWRENCE J. CIANCIA**  
Age 65

Director since 1990

Mr. Ciancia has been a partner in Corporation Development International, Inc., a corporate search firm specializing in mergers, acquisitions and divestitures, since 1998. Previously, Mr. Ciancia served as President of Uponor ETI, a supplier of PVC pipe products, specialty chemicals and PVC compounds.

**Table of Contents****THOMAS G. CODY**

Director since 1998

Age 66

Mr. Cody has served as Vice Chairman of Macy's, Inc., (formerly known as Federated Department Stores, Inc.) a nationwide department store retailer, since February 2003. From 1992 to 2003, Mr. Cody was Executive Vice President, Legal and Human Resources of Federated Department Stores, Inc. Mr. Cody also serves as a director of LCA-Vision, Inc.

**PATRICIA K. COLLAWN**

Director since 2003

Age 49

Ms. Collawn is Utilities President of PNM Resources, a utilities corporation serving electricity and natural gas customers. She has served in this capacity since June 2007. Prior to June 2007, Ms. Collawn was President and Chief Executive Officer of Public Service Company of Colorado, an Xcel Energy, Inc. subsidiary, from November 2005. Ms. Collawn served as President of Customer and Field Operations of Xcel Energy from July 2003 and as President of the Retail Services Group of Xcel Energy beginning March 2001.

**GERALD H. FRIELING, JR.**

Director since 1982

Age 78

Mr. Frieling has served as President of Frieling & Associates, a business consulting firm, since 1993. Prior to 1993, Mr. Frieling served as Chairman of the Board of Directors, Chief Executive Officer and Vice Chairman of the Board of Directors of Tokheim Corporation, a manufacturer of electronic and mechanical petroleum marketing systems. Mr. Frieling also serves as a director of Mossberg & Company.

**ROGER R. HEMMINGHAUS**

Director since 2000

Age 71

Mr. Hemminghaus is the retired Chairman and Chief Executive Officer of Ultramar Diamond Shamrock Corporation, a corporation that refined and marketed petroleum products on a retail and wholesale basis, serving from 1996 until 2000. Mr. Hemminghaus is a past Chairman of the Federal Reserve Bank of Dallas. Mr. Hemminghaus also serves as a Director of Tandy Brand Accessories, Inc. and Xcel Energy, Inc.

**MICHAEL A. HENNING**

Director since 2000

Age 68

Mr. Henning is the retired Deputy Chairman of Ernst & Young LLP, an independent accounting firm, serving from 1999 to 2000. Mr. Henning served as Chief Executive Officer of Ernst & Young International, Inc. from 1993 until 1999. Mr. Henning also serves as a Director and as a member of the audit committee at each of Omnicom Group, Inc., Landstar Systems, Inc. and Highlands Acquisition Corporation.

**VINOD M. KHILNANI**

Director since 2007

Age 55

Mr. Khilnani joined CTS Corporation in May 2001 as Senior Vice President and Chief Financial Officer. In July 2007, he was elected to President and appointed Chief Executive Officer. Mr. Khilnani received his Masters degree in economics from Delhi University in 1973 and his MBA in Finance from the University of New York in 1977. He holds CPA and CMA certification. Mr. Khilnani has over 30 years of leadership experience in finance, strategy,

mergers and acquisitions and operating roles based in the USA and Europe, including 18 years at Cummins, Inc.

**Table of Contents****ROBERT A. PROFUSEK**

Director since 1998

Age 58

Mr. Profusek is the Head of Mergers & Acquisitions for Jones Day, a global law firm which he joined in 1975. Mr. Profusek also serves as a Director of Valero Energy Corporation and is a member of Valero's Compensation and Nominating and Governance Committees.

**Your Board of Directors recommends a vote FOR each of these director-nominees.**

**PROPOSAL 2: RATIFICATION OF APPOINTMENT OF GRANT THORNTON LLP AS  
INDEPENDENT AUDITOR**

Grant Thornton LLP has served as CTS' independent auditor since June 2005 and has been appointed by the Audit Committee to continue as CTS' independent auditor for 2008. In the event that ratification is not approved by a majority of the shares of CTS common stock represented at the Annual Meeting in person or by proxy and entitled to vote on the matter, the Audit Committee and the Board of Directors will review the Audit Committee's future selection of the independent auditor.

Representatives of Grant Thornton LLP will be present at the Annual Meeting. The representatives will be available to respond to appropriate questions.

**Your Board of Directors recommends a vote FOR ratification of the appointment of  
Grant Thornton LLP as CTS' independent auditor for 2008.**

**EQUITY COMPENSATION PLAN INFORMATION**

The following table provides information about shares of CTS common stock that could be issued under all of CTS equity compensation plans as of December 31, 2007:

<b>Plan Category</b>	<b>(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</b>	<b>(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</b>	<b>(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</b>
Equity compensation plans approved by security holders	1,426,638	\$ 16.06	5,286,070
Equity compensation plans not approved by security holders(1)	56,261		

Total	1,482,899	5,286,070
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- (1) In 1990, CTS adopted the Stock Retirement Plan for Non-Employee Directors. As of December 1, 2004, this plan was amended to preclude crediting any additional units under the plan. Prior to the amendment, CTS annually credited an account for each non-employee director with 800 common stock units. CTS also annually credited each deferred stock account with an additional number of common stock units representing the amount of dividends which would have been paid on an equivalent number of shares of CTS common stock for each quarter during the preceding calendar year. Upon retirement, the non-employee director is entitled to receive one share of CTS common stock for each common stock unit in his deferred stock account. CTS has issued only treasury shares for common stock units under the plan. On December 31, 2007, the deferred stock accounts contained a total of 56,261 units.



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**SECTION 16(a) BENEFICIAL  
OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires CTS' directors, executive officers and certain persons who own more than 10% of CTS' common stock to file with the Securities and Exchange Commission and the New York Stock Exchange, initial reports of ownership and reports of changes in ownership of CTS' common stock. Executive officers, directors and holders of at least 10% of CTS' common stock are required to furnish CTS with copies of all Section 16(a) reports they file. Based solely on written representations from reporting persons and on our review of Section 16(a) reports provided by those individuals, CTS believes that all required Section 16(a) filings were completed in a timely manner in 2007.

**COMMITTEES OF THE BOARD**

Directors are assigned to committees of the Board of Directors by the full Board of Directors each year following their election at the Annual Meeting.

**Compensation Committee**

The Compensation Committee is a standing committee of the Board of Directors. Directors Cody, Catlow, Collawn and Henning are the current members of the Compensation Committee. Each member of the Committee is an independent director as defined by the New York Stock Exchange Corporate Governance Listing Standards and the CTS Corporation Corporate Governance Guidelines. The Committee held eight meetings in 2007. A copy of the Compensation Committee Charter may be obtained free of charge from CTS' Secretary upon request or from CTS' website at <http://www.ctscorp.com/governance/compensationcharter.htm>.

The Compensation Committee establishes executive compensation policies and reviews and approves senior executive and director compensation and employment agreements. The Committee reviews and approves corporate goals and objectives relevant to the Chief Executive Officer's compensation, evaluates the Chief Executive Officer's performance against those objectives and makes recommendations to the Board of Directors regarding the Chief Executive Officer's compensation. The Committee also administers the CTS Corporation Management Incentive Plan and the CTS Corporation 2004 Omnibus Long-Term Incentive Plan. Annually, the Compensation Committee conducts an evaluation of its performance for the fiscal year.

The Compensation Committee does not delegate authority to perform any of the foregoing functions with respect to the compensation of any executive officer. The Committee may delegate authority to make cash incentive or equity awards to non-executive officers to the Chief Executive Officer and/or the Senior Vice President Administration subject to specific numeric limits. The Chief Executive Officer recommends to the Compensation Committee the form and level of compensation for each executive officer other than himself. The Compensation Committee recommends the Chief Executive Officer's form and level of compensation to the full Board of Directors for approval.

The Senior Vice President Administration regularly reports to the Compensation Committee regarding market trends in executive compensation. He also provides background information, such as peer benchmark data, to assist the Compensation Committee in making decisions about executive compensation. The Compensation Committee may direct the Senior Vice President Administration to research specific issues and make recommendations to the Committee.

**Compensation Committee Interlocks and Insider Participation**

Directors Cody, Catlow, Collawn and Henning were appointed to the Compensation Committee following their election to the Board of Directors at the 2007 Annual Meeting of Shareholders of CTS Corporation. During 2007, no executive officer of CTS served as a director of any other entity for which any CTS director was an executive officer.

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### **Nominating and Governance Committee**

The Nominating and Governance Committee is a standing committee of the Board of Directors. Directors Ciancia, Cody, Collawn and Frieling are the current members of the Nominating and Governance Committee. Each member of the Nominating and Governance Committee is an independent director as defined by the New York Stock Exchange Corporate Governance Listing Standards and the CTS Corporation Corporate Governance Guidelines. The Nominating and Governance Committee held seven meetings in 2007. A copy of the Nominating and Governance Committee Charter may be obtained free of charge from CTS Secretary upon request or from CTS website at <http://www.ctscorp.com/governance/governancecharter.htm>.

The Nominating and Governance Committee reviews and makes recommendations to the Board of Directors concerning committee assignments and director-nominees for election at the Annual Meeting. The Nominating and Governance Committee also develops the CTS Corporation Corporate Governance Guidelines for board approval and makes recommendations on matters of corporate governance. CTS bylaws describe the process for nominating a candidate for election to the Board of Directors at the Annual Meeting of Shareholders. CTS does not have a formal policy concerning whether the Nominating and Governance Committee will consider director-nominees submitted by shareholders. CTS did not receive any shareholder director-nominees for election at the 2008 Annual Meeting of Shareholders. At this time, the Board of Directors does not believe a formal policy regarding shareholder director-nominees is necessary since CTS bylaws provide a process for nomination of directors and no shareholder nominations for director have been received in past years.

The Nominating and Governance Committee reviews with the Board of Directors, on an annual basis, the requisite skills and director characteristics of any new members as well as the composition of the Board of Directors as a whole. This review includes an assessment of whether each non-management director qualifies as independent and an assessment of the diversity, age, skills and experience of the directors in the context of the needs of the Board of Directors. Although the Nominating and Governance Committee has not established any specific minimum criteria or qualifications that a candidate must possess, the Committee seeks candidates who possess the experience necessary to make a valuable contribution to the Board of Directors. The Nominating and Governance Committee may retain search firms for the purpose of identifying and evaluating director candidates, but does not currently have any such firm on retainer. The Nominating and Governance Committee also considers director-nominees identified by management and by non-management directors.

Pursuant to its charter, the Nominating and Governance Committee is responsible for reviewing candidates and making recommendations to the Board of Directors concerning Chief Executive Officer succession planning. In 2005, an ad hoc Leadership Continuity Committee of the Board of Directors was formed to assist in overseeing management's implementation of an overall Management Development and Succession process for executive officers and to lead the Board of Directors in the Chief Executive Officer succession planning process. Having served its intended purpose, the Leadership Continuity Committee was disbanded in 2007.

### **Audit Committee**

The Audit Committee is a standing committee of the Board of Directors. Directors Catlow, Ciancia, Frieling and Henning are the current members of the Audit Committee. Each member of the Audit Committee is financially literate and meets the independence standards applicable to audit committee members under the New York Stock Exchange Corporate Governance Listing Standards, as well as the CTS Corporation Corporate Governance Guidelines and the Audit Committee Charter. The Board of Directors has determined that Mr. Henning qualifies as an audit committee financial expert under the criteria set forth in Item 407(d)(5)(ii) of Regulation S-K. In addition to being a member of the CTS Audit Committee, Mr. Henning serves on the audit committees of three other public companies. The Board of Directors met and discussed whether or not Mr. Henning's additional service would negatively impact his service to

the CTS Audit Committee. It is the Board's opinion that Mr. Henning's breadth and depth of financial experience and

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knowledge greatly enhances the abilities and competencies of the CTS Audit Committee and that, as a retiree, Mr. Henning has ample time and capacity to serve four public company audit committees without impairment of his ability to serve the CTS Audit Committee.

The Audit Committee held nine meetings in 2007. A copy of the Audit Committee Charter may be obtained free of charge from CTS Secretary upon request or from CTS website at <http://www.ctscorp.com/governance/auditcharter.htm>.

The Audit Committee is responsible for appointing the independent auditor, approving engagement fees and all non-audit engagements and reviewing the independence and quality of the independent auditor. The Audit Committee reviews audit plans, audit reports and recommendations of the independent auditor and the internal audit department. The Audit Committee reviews systems of internal accounting controls and audit results. The Audit Committee also reviews and discusses with management, CTS financial statements, earnings press releases and earnings guidance. In addition, the Audit Committee reviews CTS compliance with public-company regulatory requirements and the CTS Code of Ethics.

## **Finance and Strategic Initiatives Committee**

The Finance and Strategic Initiatives Committee is a standing committee of the Board of Directors. Directors Catlow, Frieling, Khilnani and Profusek are the current members of the Finance and Strategic Initiatives Committee. The Finance and Strategic Initiatives Committee held two meetings in 2007. A copy of the Finance and Strategic Initiatives Committee Charter may be obtained free of charge from CTS Secretary upon request or from CTS website at <http://www.ctscorp.com/governance/financecharter.htm>.

The Finance and Strategic Initiatives Committee reviews and makes recommendations to the Board of Directors concerning corporate financing arrangements, tax strategies, dividend policy, financial structure and similar matters. Additionally, the Finance and Strategic Initiatives Committee reviews and approves capital project appropriation requests for capital projects that are above certain prescribed limits.

## **FURTHER INFORMATION CONCERNING THE BOARD OF DIRECTORS**

During 2007, the Board of Directors held six meetings. It is the policy of the Board of Directors that each director endeavor to attend all shareholder meetings including the Annual Meeting of Shareholders, unless exigent circumstances arise. Each director standing for re-election at the 2007 Annual Meeting of Shareholders attended that meeting.

The CTS Corporation Corporate Governance Guidelines provide that an independent director is one who:

Is not an employee of the corporation and has not been an employee of the corporation for at least five years;

Is not an affiliate of the corporation other than in the capacity as a director; and has not been an affiliate of the corporation for at least five years.

Is not an employee or affiliate of the corporation's present auditing firm or an auditing firm retained by the corporation within the past five years and has not been an employee or affiliate of such a firm for at least five years;

Is not an employee of a company on whose board an executive of the corporation presently serves as a director or has served as a director within the past five years and has not been an employee of such a company for at

least five years;

Is not an employee of a company that accounts for at least 2% or \$1 million, whichever is greater, of the corporation's consolidated gross revenues and has not been an employee of such a company for at least five years;

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Is not an employee of any company which made payments to or received payments from CTS Corporation that exceeded 2% or \$1 million, whichever is greater, of that company's consolidated gross revenues; and has not been an employee of such a company for at least five years;

Is not an employee or director of any company that makes direct material investments or trades in CTS stock or that regularly advises investors concerning CTS stock;

Does not presently receive any direct or material indirect compensation from the corporation other than compensation attributable to the director's service as a member of the Board of Directors and its Committees;

Has not received more than \$10,000 per year in direct compensation from the corporation during the past five years, excluding compensation attributable to the director's service as a member of the Board of Directors and its Committees;

Does not have any other relationship with the corporation or any other entity, including charitable and civic organizations that in the opinion of the Board of Directors could be considered to effect the director's ability to exercise his or her independent judgment as a director;

Is not an immediate family member of any individual who would fail to meet the criteria for independence set forth above.

Additionally, for purposes of determining whether a director has a material relationship with the corporation apart from his or her service as a director, any transaction that is not required to be disclosed pursuant to Item 404(a) of Regulation S-K shall be deemed categorically immaterial. A copy of the CTS Corporation Corporate Governance Guidelines may be obtained free of charge from CTS' Secretary upon request or from CTS' website at <http://www.ctscorp.com/governance/guidelines.htm>.

The Board of Directors has determined that each non-management director is an independent director and has no material relationship with CTS Corporation, apart from his or her service as a director. The Board of Directors made this determination by reference to the definition of an independent director contained in the New York Stock Exchange Corporate Governance Listing Standards and by reference to the standards set forth in the CTS Corporation Corporate Governance Guidelines. As a result, the Board of Directors concluded that Walter S. Catlow, Lawrence J. Ciancia, Thomas G. Cody, Patricia K. Collawn, Gerald H. Frieling, Jr., Roger R. Hemminghaus, Michael A. Henning and Robert A. Profusek are each independent directors.

CTS does not have a written policy specific to transactions with related persons. However, CTS does have written policies and procedures with respect to conflicts of interest. The CTS Corporation Corporate Governance Guidelines provide that the Nominating and Governance Committee shall review any situation which might be construed to disqualify a director as independent and to make a recommendation to the Board of Directors regarding the director's service on board committees and nomination for re-election to the Board of Directors. The Nominating and Governance Committee Charter further provides that the Nominating and Governance Committee shall review any potential director conflicts of interest and recommend appropriate action to the Board of Directors.

CTS has adopted a Code of Ethics that applies to all CTS employees, including the principal executive officer, the principal financial officer and the principal accounting officer and/or controller, all other executive officers and non-employee directors. The CTS Code of Ethics includes ethical standards concerning conflicts of interest and potential conflicts of interest. With respect to executive officers and other employees, potential conflicts of interest must be reported to management. The Audit Committee is responsible for reviewing compliance with the Code of

Ethics. A copy of the CTS Code of Ethics may be obtained free of charge from CTS Secretary upon request or from CTS website at <http://www.ctscorp.com/governance/codeofethics.htm>.

The CTS Corporate Governance Guidelines encourage all directors to participate in director continuing education programs. CTS reimburses directors for attendance at such programs. In addition, management



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monitors and reports to the directors regarding significant corporate governance initiatives. The directors also receive a presentation on new developments in corporate governance no less frequently than annually.

It is the policy of the Board of Directors to hold an executive session excluding management directors at each regular scheduled Board of Directors meeting. In 2007, an executive session was held at each regular board meeting. The Chairman of the Board of Directors presides over the executive sessions.

The Board of Directors has adopted CTS stock ownership guidelines that apply to non-employee directors and executives in order to align their interests with those of shareholders and promote enduring shareholder value. The guidelines are administered by the Compensation Committee. A copy of the guidelines may be obtained free of charge from CTS Secretary upon request or from CTS website at <http://www.ctscorp.com/governance/stockog.htm>.

Shareholders and other interested parties may address written communications to individual directors, including non-management directors, or to the Board of Directors as a whole, by writing to Richard Cutter, Vice President, General Counsel and Secretary, at CTS corporate office located at 905 West Boulevard North, Elkhart, Indiana, 46514. All communications from shareholders must include the name and address of the shareholder as it appears on the record books of CTS Corporation and the name and address of the beneficial owner, if any, on whose behalf the communication is submitted. CTS Secretary will compile such communications and forward them to the directors on a periodic basis. However, CTS Secretary has authority to disregard any communication which is primarily an advertisement or solicitation or which is threatening, obscene or similarly inappropriate in nature. Communications that have been disregarded for these reasons may be reviewed by any non-management director upon request.

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**Five Percent Owners of Common Stock.** The table below lists information about the persons known by CTS Corporation to beneficially own at least 5% of its common stock as of December 31, 2007. There were 34,313,274 shares of CTS common stock issued and outstanding as of December 31, 2007. The information below is derived solely from the most recent Schedules 13D or 13G and amendments thereto, or on Form 13F-HR filed with the Securities and Exchange Commission.

Name and Address	Number of Shares	Percent of Class
Dimensional Fund Advisors LP(1) 1299 Ocean Avenue Santa Monica, California 90401	3,155,855	9.20%
GAMCO Investors, Inc., <i>et al</i> (2) One Corporate Center Rye, New York 10580-1435	2,834,080	8.26%
The State Teachers Retirement Board of Ohio(3) 275 East Broad Street Columbus, Ohio 43215	2,669,700	7.78%
AXA Financial, Inc.(4) 1290 Avenue of the Americas New York, New York 10104	2,520,288	7.34%
Barclays Global Investors, N.A.(5) 45 Fremont Street San Francisco, California 94105	2,204,517	6.42%

- (1) As reported in the Schedule 13G/A filed February 6, 2008, Dimensional Fund Advisors LP (formerly known as Dimensional Fund Advisors, Inc.) has sole power to vote and dispose of the shares.
- (2) As reported on Schedule 13D/A filed on April 7, 2008. GAMCO Investors, Inc. has sole power to vote and dispose of 2,834,080 shares.
- (3) As reported in the Schedule 13G filed January 25, 2008, State Teachers Retirement Board of Ohio. Inc. has sole power vote and dispose of the shares.
- (4) As reported in the Schedule 13G/A filed February 14, 2008, AXA Financial, Inc. has sole power to vote 1,747,652 shares; shared voting power for 15,050 shares and sole power to dispose of 2,520,288 shares.
- (5) As reported in the Schedule 13G filed February 5, 2008, Barclays Global Fund Advisors, N.A. and its affiliates has sole power to vote 1,736,579 shares and sole power to dispose of 2,204,517 shares.



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**Directors and Officers Stock Ownership.** The following table shows how much CTS common stock each named executive officer, director and all executive officers and directors as a group, beneficially owned as of April 15, 2008, including shares covered by stock options exercisable within 60 days of April 15, 2008. Please note that, as reported in this table, beneficial ownership includes those shares a director or officer has the power to vote or transfer, as well as shares owned by immediate family members that reside in the same household with the director or officer. The shares shown as beneficially owned by all current directors and officers do not include 1,458,900 shares held by the Northern Trust Company as Trustee of the CTS Corporation Employee Benefit Plans Master Trust. The CTS Corporation Employee Benefit Plan Investment Committee has voting and investment authority over those shares.

<b>Name</b>	<b>Beneficially Owned</b>	<b>Options Exercisable within 60</b>	<b>Shares held in</b>	<b>Directors Deferred common stock</b>	<b>% of shares</b>
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