

CTS CORP  
Form DEF 14A  
April 11, 2014

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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

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- Preliminary Proxy Statement
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- Definitive Proxy Statement
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**CTS Corporation**

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(Name of Registrant as Specified In Its Charter)

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April 11, 2014

Dear CTS Shareholder:

You are cordially invited to attend the 2014 Annual Meeting of Shareholders of CTS Corporation. The meeting will be held on **Wednesday, May 21, 2014, at 9:30 a.m. Central Daylight Time, at CTS' offices located at 2375 Cabot Drive, Lisle, IL 60532.**

We are pleased to continue to take advantage of the Securities and Exchange Commission rules allowing us to furnish proxy materials to shareholders on the Internet. We believe that these rules provide you with proxy materials more quickly and reduce the environmental impact of our Annual Meeting. Accordingly, we are mailing to shareholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access and review our 2014 Proxy Statement and Annual Report to Shareholders for the year ended December 31, 2013, and to vote online or by telephone. If you would like to receive a paper copy of our proxy materials, please follow the instructions for requesting these materials on page 3 of the 2014 Proxy Statement.

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.

Kieran O'Sullivan  
President and Chief Executive Officer

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**Notice of the 2014 Annual Meeting of Shareholders**

**To Be Held On  
May 21, 2014**

To CTS Shareholders:

The 2014 Annual Meeting of Shareholders of CTS Corporation will be held on **Wednesday, May 21, 2014, at 9:30 a.m. Central Daylight Time, at CTS' offices located at 2375 Cabot Drive, Lisle, IL 60532**. To obtain directions to the meeting location, please call (574) 523-3847.

Only CTS shareholders of record at the close of business on April 4, 2014 may vote at this meeting or any adjournments that may take place. At the meeting, shareholders will vote upon the following items:

1. Election of nine directors for a one-year term;
2. Approval, on an advisory basis, of the compensation of CTS' named executive officers;
3. Ratification of the appointment of Grant Thornton LLP as CTS' independent auditor for 2014;
4. Approval of the CTS Corporation 2014 Performance and Incentive Compensation Plan; and
5. Any other business properly presented at the meeting.

Your Board of Directors recommends that you vote in favor of the director-nominees, in favor of approval of CTS' named executive officer compensation, in favor of the ratification of the appointment of Grant Thornton LLP and in favor of the CTS Corporation 2014 Performance and Incentive Compensation Plan.

By Order of the Board of Directors,

Robert J. Patton  
Corporate Secretary

April 11, 2014

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR  
THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 21, 2014**

The Notice, 2014 Proxy Statement, form of proxy and 2013 Annual Report to Shareholders are available at [http://www.ctscorp.com/investor\\_relations/proxy\\_statement/proxy\\_statement.htm](http://www.ctscorp.com/investor_relations/proxy_statement/proxy_statement.htm).

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## **PROXY STATEMENT**

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### **2014 ANNUAL MEETING OF SHAREHOLDERS**

**To be held on  
May 21, 2014**

This proxy statement is furnished in connection with the solicitation by the Board of Directors ("Board") of CTS Corporation ("CTS" or "the Company") of proxies to be voted at the 2014 Annual Meeting of Shareholders ("Annual Meeting"). On or about April 11, 2014, the Company mailed to its shareholders the Notice of Internet Availability of Proxy Materials, and made available this proxy statement, the accompanying proxy card and Annual Report to Shareholders. The following is important information in a question-and-answer format regarding the Annual Meeting and this proxy statement.

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

- A:
- (1) Election of director-nominees to serve on the Board;
  - (2) Approval, on an advisory basis, of the compensation of CTS' named executive officers;
  - (3) Ratification of the appointment of Grant Thornton LLP as CTS' independent auditor for 2014; and
  - (4) Approval of the CTS Corporation 2014 Performance and Incentive Compensation Plan.

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

- A:
- The Board recommends that you vote:
- (1) FOR each of the director-nominees identified in this proxy statement;
  - (2) FOR approval of CTS' named executive officer compensation;
  - (3) FOR ratification of Grant Thornton LLP as CTS' independent auditor for 2014; and
  - (4) FOR approval of the CTS Corporation 2014 Performance and Incentive Compensation Plan.

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

A:

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We are not aware of any other business to be brought before the shareholders at the Annual Meeting 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 Kieran O'Sullivan, President and Chief Executive Officer, and Robert J. Patton, Vice President, General Counsel & Corporate Secretary, 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 the shares of CTS common stock 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 have an impact on the election of directors, because 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;

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- (2) An affirmative vote of a majority of votes cast is necessary to approve, on an advisory basis, the compensation of CTS' named executive officers, although such vote will not be binding on CTS. Abstentions and broker non-votes will have no impact on the outcome of this proposal;
- (3) The Audit Committee's appointment of Grant Thornton LLP as CTS' independent auditor for 2014 will be ratified if a majority of the votes cast support the appointment. Because the proposal to ratify the appointment of Grant Thornton LLP is considered "routine," your broker or other nominee will be able to vote your shares with respect to this proposal without your instructions. Abstentions have no impact on the outcome of this proposal; and
- (4) An affirmative vote of a majority of votes cast is necessary to approve the CTS Corporation 2014 Performance and Incentive Compensation Plan. Abstentions and broker non-votes will have no impact on the outcome of this proposal.

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

A: Shareholders of record at the close of business on April 4, 2014, which is referred to in this proxy statement as the Record Date, are entitled to vote at the Annual Meeting. As of close of business on the Record Date, there were 33,802,386 shares of CTS common stock issued and outstanding. Every shareholder is entitled to one vote for each share of CTS common stock held on the Record Date.

**Q: How do I vote?**

A: Please follow the instructions on your Notice of Internet Availability of Proxy Materials to vote online or by telephone up until 11:59 p.m. Eastern Daylight Time on May 20, 2014. Of course, you may always vote in person at the meeting.

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

A: The CTS Corporation Retirement Savings Plan is CTS' 401(k) plan. Vanguard Fiduciary Trust Company, the plan trustee, will vote the shares of CTS common stock in your account according to your instructions. You may use the proxy card provided or go online at [www.proxyvote.com](http://www.proxyvote.com) to instruct Vanguard. You must provide instructions or make changes to your instructions on how to vote shares of CTS common stock in your CTS Corporation Retirement Savings Plan on or before 11:59 p.m. Eastern Daylight Time on May 19, 2014. After that time, your instructions will be transmitted to the plan trustee and cannot be changed. If Vanguard does not receive your instructions for how to vote your shares of CTS common stock, they will not be voted.

**Q: Who is entitled to attend the Annual Meeting?**

A: Attendance at the Annual Meeting will be limited to our shareholders as of the Record Date and to pre-approved guests of CTS. All shareholder guests must be pre-approved by CTS and will be limited to spouses, persons required for medical assistance and properly authorized representatives of our shareholders as of the Record Date. Additionally, to attend the Annual Meeting you must first obtain a legal proxy form from the broker or other organization that holds your shares. Please contact such broker or organization for instructions regarding obtaining a legal proxy. If you do obtain a legal proxy and plan to attend the Annual Meeting, you will be required to present a valid form of identification.

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

A: In February 2014, CTS hired Eagle Rock Proxy Advisors LLC to solicit votes for a fee of \$5,000. CTS also reimburses Eagle Rock for reasonable expenses, fees charged by banks, brokers and other custodians, fiduciaries, and nominees for their costs of sending proxy and solicitation materials to





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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:**  
**How can I receive paper or email copies of the proxy materials?**

A: Shareholders wishing to receive paper or email copies of the proxy materials for the Annual Meeting and for future annual meetings of shareholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis by directing written or oral requests to CTS Corporation, Corporate Secretary, 905 West Boulevard North, Elkhart, Indiana 46514, or by calling (630) 577-8831 and asking to speak to our Corporate Secretary, or by sending an email to [shareholder.services@ctscorp.com](mailto:shareholder.services@ctscorp.com) by May 7, 2014, or by following the directions on your proxy card.

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

A: Director-nominees for the 2015 Annual Meeting of Shareholders may be nominated by shareholders by sending a written notice to the corporate office to the attention of the Corporate Secretary for CTS. Pursuant to the CTS Corporation Bylaws, all nominations must be received no earlier than January 6, 2015 and no later than February 20, 2015. The notice of 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' Corporate Secretary, or from CTS' website at <http://www.ctscorp.com/governance/bylaws.htm>.

**Q:**  
**When are shareholder proposals for the 2015 Annual Meeting of Shareholders due?**

A: CTS' advance notice Bylaw provisions require that in order to be presented at the 2015 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 the Corporate Secretary for CTS, and must be received no earlier than January 6, 2015 and no later than February 20, 2015. 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' Corporate Secretary, or from CTS' website at <http://www.ctscorp.com/governance/bylaws.htm>. To be included in our proxy materials relating to the 2015 Annual Meeting of Shareholders, proposals must be received by us on or before December 12, 2014 (or, if the date of the 2015 Annual Meeting of Shareholders is more than 30 days before or after the date of the 2014 Annual Meeting of Shareholders, a reasonable time before we begin to print and send our proxy materials).

PROPOSALS UPON WHICH YOU MAY VOTE

1. ELECTION OF DIRECTORS;
2. APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF CTS' NAMED EXECUTIVE OFFICERS;
3. RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP AS CTS' INDEPENDENT AUDITOR FOR 2014; AND
4. APPROVAL OF THE CTS CORPORATION 2014 PERFORMANCE AND INCENTIVE COMPENSATION PLAN.

**Your Board recommends a vote FOR the director-nominees, FOR advisory approval of CTS' named executive officer compensation, FOR the ratification of the appointment of Grant Thornton LLP and FOR the approval of the CTS Corporation 2014 Performance and Incentive Compensation Plan.**



## 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. The Board has established the number of authorized directors at nine, effective as of the Annual Meeting. 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. The ages shown are as of April 11, 2014, 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 become unavailable for election, the members of the Board will, in their sole discretion and pursuant to authority granted by the CTS Bylaws, nominate and vote for a replacement director or reduce the authorized number of directors.

**WALTER S. CATLOW** Director since 1999  
Age 69

Mr. Catlow is the retired Dean of the College of Business at Concordia University. Mr. Catlow served as President of Ameritech Cellular Services, a wireless communications service provider, from 1998 until his retirement in 2000. Prior to that, Mr. Catlow served as Executive Vice President of Ameritech and as President of Ameritech International, Inc., where he directed Ameritech International's investments and was responsible for global acquisitions and alliances. The Board believes Mr. Catlow's experience in international business, his experience in the wireless communications infrastructure industry, and his experience as a top level executive make him well qualified to serve as a director.

**LAWRENCE J. CIANCIA** Director since 1990  
Age 71

Mr. Ciancia has been a partner in Corporate 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. The Board believes Mr. Ciancia's experience in international mergers and acquisitions and his experience as a top level executive make him well qualified to serve as a director.

**THOMAS G. CODY** Director since 1998  
Age 72

Mr. Cody is the Chairman of the Board. He is also a retired Vice Chairman of Macy's, Inc. (formerly known as Federated Department Stores, Inc.), a nationwide department store retailer, serving from February 2003 through March 2010. Prior to assuming that position, he served as Executive Vice President, Legal and Human Resources of Federated Department Stores, Inc. since 1992. Until May 2008, Mr. Cody was also a director of LCA Vision, Inc. The Board believes that Mr. Cody's extensive legal, tax, human resources, and top level executive experience, garnered in service of a major New York Stock Exchange ("NYSE") listed corporation, as well as his experience serving as a director of another public company, make him well qualified to serve as a director.

**PATRICIA K. COLLAWN**

Director since 2003

Age 55

Ms. Collawn is Chairman, President and Chief Executive Officer of PNM Resources, Inc., a multi-state utilities corporation serving electricity customers. Ms. Collawn was named Chairman effective January 1, 2011. In March 2010, she was made a director of PNM Resources, Inc. She was President and Chief Operating Officer since August 2008 and Utilities President at PNM Resources, Inc. from June 2007 to August 2008. Prior to that, Ms. Collawn was President and Chief Executive Officer of Public Service Company of Colorado, an Xcel Energy, Inc. subsidiary, from October 2005. The Board believes that Ms. Collawn's experience as a sitting President and Chief Executive Officer of a publicly traded corporation, as well as substantial operations experience, make her well qualified to serve as a director.

**MICHAEL A. HENNING**

Director since 2000

Age 73

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 of Omnicom Group, Inc., Landstar System, Inc., and Black Diamond, Inc. (formerly Clarus Corporation). Until October 2009, Mr. Henning was a director of Highlands Acquisition Corporation. The Board believes that Mr. Henning's substantial international tax and accounting experience garnered through service with one of the world's preeminent accounting firms, and his experience serving as a director of other companies, make him well qualified to serve as a director. Mr. Henning's tax and accounting acumen also enable his service as CTS' audit committee financial expert.

**GORDON HUNTER**

Director Since 2011

Age 62

Mr. Hunter is the Chairman, President and Chief Executive Officer of Littelfuse, Inc., a global electronics company. Mr. Hunter has served as a director of Littelfuse, Inc. since June 2002, and joined the company as Chief Operating Officer in November 2003. He assumed the role of Chairman, President, and Chief Executive Officer of Littelfuse, Inc. on January 1, 2005. He is currently a member of the Board of Directors of Veeco Instruments, Inc., where he serves on its Compensation Committee. Mr. Hunter also serves on the Council of Advisors of Shure Incorporated. The Board believes that Mr. Hunter's experience as a sitting President and Chief Executive Officer of a publicly traded corporation serving global markets, as well as substantial experience in the electronics industry, make him well qualified to serve as a director.

**DIANA M. MURPHY**

Director since 2010

Age 57

Ms. Murphy is the Managing Director of Rocksolid Holdings, LLC, a private equity firm, serving in that capacity since January 2007. She is also the managing director of the Georgia Research Alliance Venture Fund. Prior to joining Rocksolid, she was a Managing Director at Chartwell Capital Management Company, a private equity firm. She is a Director of Landstar System, Inc., Georgia Research Alliance Venture Fund, LLC, and the Coastal Bank of Georgia, along with other private and non-profit boards. She is a member of the Executive Committee and Vice President of the United States Golf Association. The Board believes that Ms. Murphy's extensive experience in business management, strategic planning, marketing, public relations, and experience on the boards of other companies make her well qualified to serve as a director.

**KIERAN O'SULLIVAN**  
Age 52

Director since 2013

Mr. O'Sullivan is the President and Chief Executive Officer of CTS. Prior to assuming this role on January 7, 2013, Mr. O'Sullivan served as Executive Vice President of Continental AG's Global Infotainment and Connectivity Business and led the NAFTA Interior Division, having joined Continental AG, a global automotive supplier, in 2006. The Board believes that Mr. O'Sullivan's over twenty-five years of leadership experience in operations, strategy, mergers and acquisitions, and finance roles in the manufacturing services, electronics, and automotive business segments make him well qualified to serve as a director.

**ROBERT A. PROFUSEK**  
Age 64

Director since 1998

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 the Lead Director of Valero Energy Corporation and is a member of the company's Compensation Committee and Nominating and Governance Committee. He previously served as a director of two other NYSE-listed companies. The Board believes that Mr. Profusek's substantial experience in mergers and acquisitions, corporate governance, and experience serving as a director of other companies make him well qualified to serve as a director.

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

## **PROPOSAL 2: APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF CTS' NAMED EXECUTIVE OFFICERS**

As required under the Dodd-Frank Wall Street Reform and Consumer Protection Act and Section 14A of the Securities Exchange Act of 1934 ("Exchange Act"), our Board of Directors is submitting a "Say-on-Pay" proposal for shareholder consideration. The Compensation Discussion and Analysis section of this proxy statement (which begins on page 29) describes CTS' executive compensation program and the compensation decisions made by the Compensation Committee and the Board in 2013 with respect to our named executive officers. CTS is asking shareholders to cast an advisory shareholder vote approving the compensation of CTS' named executive officers (commonly referred to as a "say-on-pay" vote). Under current Board policy, the shareholder vote for advisory approval of named executive officer compensation will occur annually. The next such vote will occur at our 2015 Annual Meeting of Shareholders.

As we describe in the Compensation Discussion and Analysis section of this proxy statement, CTS' executive compensation program is designed to attract, retain, and motivate high-quality executive talent, to provide executives with strong incentives to maximize CTS' performance, and to align executives' interests with those of shareholders. These goals are achieved through the application of a number of techniques, such as:

- balancing fixed pay versus incentive-based compensation appropriately;
- selecting appropriate and broad-based performance metrics;
- establishing reasonable performance thresholds;
- capping performance-based compensation awards at certain maximum levels;

requiring multiple-year performance periods for performance-based awards; and

vesting a significant amount of equity compensation over multi-year periods.

CTS has not substantially changed its overall approach to executive compensation through the recent economic downturn and the start of the economic recovery, remaining committed to the use of broad-based metrics such as earnings per share, strategic business unit operating earnings, sales growth and relative total shareholder return in measuring corporate performance.

For these reasons, the Board is asking shareholders to vote FOR the following resolution: "RESOLVED, that the compensation of the named executive officers as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables, and any related material disclosed in this proxy statement, is hereby approved." While the advisory vote we are asking you to cast is non-binding, the Compensation Committee and the Board value the views of our shareholders and expect to take into account the outcome of the vote when considering future compensation decisions for our named executive officers.

**Your Board recommends a vote FOR the approval of CTS' named executive officer compensation.**

### **PROPOSAL 3: RATIFICATION OF APPOINTMENT OF GRANT THORNTON LLP AS INDEPENDENT AUDITOR FOR 2014**

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 2014. In the event that ratification of the appointment of Grant Thornton LLP as independent auditor for 2014 is not approved by the shareholders at the Annual Meeting, the Board will review the Audit Committee's future selection of independent auditors.

Representatives of Grant Thornton LLP will be present at the Annual Meeting. The representatives will be available to respond to appropriate questions. The representatives will also be afforded an opportunity to make such statements as they desire.

**Your Board recommends a vote FOR ratification of the appointment of Grant Thornton LLP as independent auditor for 2014.**

### **PROPOSAL 4: APPROVAL OF THE CTS CORPORATION 2014 PERFORMANCE AND INCENTIVE COMPENSATION PLAN**

On March 21, 2014, upon the recommendation of the Compensation Committee, the Board of Directors unanimously approved and adopted, subject to shareholder approval, the CTS Corporation 2014 Performance and Incentive Compensation Plan (the "2014 Plan"). The purpose of the 2014 Plan is to provide certain employees and non-employee directors of the corporation ("Participants") with the opportunity to receive stock-based and performance incentives in order to attract, motivate, and retain

qualified individuals and to align their interests with the interests of shareholders. You are being asked to approve the 2014 Plan.

Like the CTS Corporation Amended and Restated 2009 Omnibus Equity and Performance Incentive Plan (the "2009 Plan"), which is CTS' only active equity plan, the purpose of the 2014 Plan is to advance the interests of the Company by encouraging and providing for the acquisition of an equity interest in the Company by employees and non-employee directors, by providing additional incentives and motivation toward performance of the Company, and enabling the Company to attract and retain the services of employees and non-employee directors upon whose judgment, actions, interest, and special effort the successful conduct of the Company's operations is largely dependent. To further these objectives, the 2014 Plan allows the Company to grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, or other stock awards as well as performance cash. If and when the 2014 Plan is approved by the shareholders, no further grants will be made under the 2009 Plan in the future. Approval of the 2014 Plan will in no way affect the validity of prior grants made under the 2009 Plan.

You are also being asked to approve certain material terms of the 2014 Plan in order to preserve CTS' potential ability to receive a federal income tax deduction for certain performance-based awards under the 2014 Plan. Section 162(m) of the Code disallows the corporate tax deduction for certain compensation in excess of \$1 million per year paid to certain executive officers. However, certain compensation, including compensation based on the attainment of performance goals, may be excluded from this deduction limit if the compensation is granted under a plan whose material terms for performance-based awards for purposes of Section 162(m) are timely approved by shareholders. Under Section 162(m) of the Internal Revenue Code and applicable regulations, CTS must seek shareholder approval at five-year intervals to preserve CTS' ability to receive this federal income tax deduction. Shareholder approval of the 2014 Plan could (but is not guaranteed to) have the effect of reducing the potential tax to be paid by CTS on certain compensation should it reach the limits set forth in Section 162(m) of the Code. In the event that CTS' shareholders do not approve the 2014 Plan, then it will not become effective, no awards will be granted under the 2014 Plan, and the 2009 Plan will continue in accordance with its terms as previously approved by CTS' shareholders. In addition, CTS' ability under the 2009 Plan to make certain performance awards to certain participants will be limited. The Board of Directors recommends that you vote to approve the 2014 Plan, including the material terms for performance-based awards for purposes of Section 162(m).

A summary of the 2014 Plan follows, which summary is qualified in its entirety by reference to the 2014 Plan itself, a copy of which is attached to this proxy statement as Exhibit A. A new plan benefits table is not provided because no grants have been made under the 2014 Plan and all grants will be discretionary.

#### **Why CTS Believes You Should Vote for Proposal 4**

The 2014 Plan authorizes the Compensation Committee to provide equity-based compensation in the form of stock options, stock appreciation rights (SAR or SARs), restricted stock, restricted stock units (RSU or RSUs), performance shares, performance units and other stock or stock-based awards for the purpose of providing Participants with incentives and rewards for performance. The 2014 Plan also authorizes the Compensation Committee to provide cash incentive awards to these same Participants. Some of the key features of the 2014 Plan that reflect CTS' commitment to effective management of equity and incentive compensation are set forth below in this subsection.

CTS believes its future success depends in part on its ability to attract, motivate and retain high quality employees and directors and that the ability to provide equity-based and/or incentive-based

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awards under the 2014 Plan is critical to achieving this success. CTS would be at a severe competitive disadvantage if it could not use stock-based awards to recruit and compensate its non-employee directors and officers and other employees.

The use of CTS stock as part of CTS' compensation program is also important to its continued success because CTS believes it fosters a pay-for-performance culture that is an important element of its overall compensation philosophy. CTS believes that equity compensation motivates directors and employees to create shareholder value because the value they realize from equity compensation is based on CTS' stock price performance. Equity compensation also aligns the compensation interests of CTS' directors and employees with the investment interests of its shareholders and promotes a focus on long-term value creation because its equity compensation awards can be subject to vesting and/or performance criteria.

As of March 3, 2014, 1,012,029 shares remained available for issuance under the 2009 Plan. If the 2014 Plan is not approved, CTS may be compelled to increase significantly the cash component of its non-employee director and employee compensation, which may not necessarily align director or employee compensation interests with the investment interests of its shareholders as well as the alignment provided by equity-based awards. Replacing equity awards with cash would also increase cash compensation expense and use cash that would be better utilized if reinvested in the businesses or returned to CTS' shareholders.

The following includes aggregated information regarding the overhang and dilution associated with the 2009 Plan and our now terminated 2004 Omnibus Long-Term Incentive Plan and the potential shareholder dilution that would result if the proposed share authorization under the 2014 Plan is approved. The following information is as of March 3, 2014. As of that date, there were approximately 33,715,693 of CTS' shares outstanding.

Total outstanding full-value awards (RSUs), assuming that the outstanding awards achieve maximum performance:  
1,012,276 shares (3.00 percent of outstanding shares);

Outstanding stock options: 7,900 shares (0.02 percent of outstanding shares) (outstanding stock options have a weighted average exercise price of \$11.90 and a weighted average remaining term of 1.23 years);

Total shares available for future awards under the 2009 Plan: 1,012,029 shares (3.00 percent of outstanding shares);

The total number of shares subject to outstanding awards (1,020,176 shares), plus the total number of shares available for future awards under the 2009 Plan (1,012,029 shares), represents a current overhang percentage of 6.03 percent (in other words, the potential straight dilution of shareholders);

Proposed shares available for issuance under the 2014 Plan: 1,500,000 shares (4.45 percent of outstanding shares this percentage reflects the simple dilution of shareholders that would occur if the 2014 Plan is approved); and

The total shares subject to outstanding awards as of March 3, 2014 (1,020,176), plus the total shares available for future awards under the 2009 Plan as of that date (1,012,029), plus the proposed shares available for issuance under the 2014 Plan (1,500,000), represent a total fully-diluted overhang of 3,532,205 shares (10.48 percent) under the 2014 Plan.

Based on the closing price on NYSE for CTS common stock on March 3, 2014 of \$20.42 per share, the aggregate market value as of March 3, 2014 of the 1,500,000 shares requested for issuance under the 2014 Plan was \$30,630,000. In 2011, 2012 and 2013, CTS granted awards under the 2009 Plan covering 302,300 shares, 487,434 shares, and 457,940 shares, respectively.



In determining the number of shares to request for approval under the 2014 Plan, CTS' management team worked with Equilar, a total executive compensation information database of public companies that file with the Securities and Exchange Commission, and the Compensation Committee to evaluate a number of factors including CTS' recent share usage and criteria expected to be utilized by institutional proxy advisory firms in evaluating this proposal for the 2014 Plan.

If the 2014 Plan is approved, CTS intends to utilize the shares authorized under the 2014 Plan to continue its practice of incentivizing key individuals through annual equity grants. As noted elsewhere, CTS' Compensation Committee would retain full discretion under the 2014 Plan to determine the number and amount of awards to be granted under the 2014 Plan, subject to the terms of the 2014 Plan, and future benefits that may be received by participants under the 2014 Plan are not determinable at this time.

CTS believes that it has demonstrated a commitment to sound equity compensation practices in recent years. CTS recognizes that equity compensation awards dilute shareholder equity, so it has carefully managed its equity incentive compensation. In preparing the 2014 Plan, CTS took into account emerging trends and current best practices with respect to equity-based compensation plans. CTS' equity compensation practices are intended to be competitive and consistent with market practices.

In evaluating this Proposal 4, shareholders should consider the factors set forth below, plus the remaining information in this Proposal 4.

**Administration:**

The 2014 Plan shall be administered by the Compensation Committee.

The Compensation Committee shall have authority to interpret the 2014 Plan and any award agreement under the 2014 Plan, prescribe rules and regulations, and make determinations necessary for the administration of the 2014 Plan.

The determinations of the Compensation Committee shall be conclusive and binding.

To the extent permitted by law, the Compensation Committee may delegate its authority to a subcommittee or, subject to certain conditions, to one or more officers of CTS to make awards to employees who are not directors, executive officers, or more than 10% shareholders.

**Available Shares:**

The maximum number of shares that may be issued under the 2014 Plan 1,500,000, subject to adjustment as described in the 2014 Plan for certain corporate transactions or other events.

The number of shares issued as restricted stock, restricted stock units, performance shares and performance units and other stock awards (after taking into account any forfeitures and cancellations) will not during the life of the 2014 Plan, in the aggregate, exceed 1,500,000 shares.

If any shares issued pursuant to an award are forfeited, or an award is forfeited, expires, or is otherwise terminated, the shares issued pursuant to, or subject to, such awards (as applicable) will, to the extent of such forfeiture, expiration or termination, again be available for future awards. Any shares that are tendered or otherwise used by a Participant to pay an option exercise price will not be available for future grants under the 2014 Plan. Shares withheld by the corporation to satisfy the tax withholding obligation shall count against the maximum number of shares available for grant under the 2014 Plan. The number of shares covered by a SAR, to the extent that it is exercised and settled in shares, and whether or not all the shares covered by the award are actually issued to the Participant upon exercise of the SAR, shall be considered issued or transferred pursuant to the 2014 Plan. In the event that the corporation repurchases shares with option proceeds, those shares will not be added to the maximum number of shares available for grant under the 2014 Plan. If, under the 2014 Plan, a Participant has elected to give up the right to receive compensation in exchange for shares based on fair market value, such shares will not count against the maximum number of shares available for grant under the 2014 Plan. Unless otherwise determined by the Compensation Committee, awards that are designed to operate in tandem with other awards shall not be counted against the maximum number of shares available for grant under the 2014 Plan, in order to avoid double counting. To the extent any award is settled in cash, the number of shares available for issuance under the 2014 Plan shall be reduced by an amount equal to the quotient of: (i) the dollar amount of such cash payment, reduced by any amount tendered by the Participant or retained by CTS to satisfy tax withholding obligations in connection with the award; divided by (ii) the fair market value of a share on the date of the cash payment.

Any shares issued under the 2014 Plan shall consist, in whole or in part, of authorized and unissued shares, shares purchased in the open market or otherwise, shares in treasury, or any combination thereof, as the Compensation Committee or, as appropriate, the Board of Directors may determine.

**Eligibility:** Participants shall include those employees and non-employee Board members designated by the Compensation Committee. The number of persons eligible to participate in the 2014 Plan is currently estimated to be approximately 225 people.

**Awards:** The following types of awards may be granted under the 2014 Plan (which may be in lieu of other amounts owed to a Participant), subject to such terms as the Compensation Committee may prescribe in an award agreement consistent with the 2014 Plan:

**Options:** The right to purchase shares of CTS common stock, no par value, at a specified price. Options may take the form of incentive stock options or nonqualified stock options, but incentive stock options may only be granted to employees under Section 3401(c) of the Internal Revenue Code. Options may not have a term of more than 10 years, and may not provide for any dividends or dividend equivalents.

**SARs:** The right to receive the difference between the fair market value of a share on the date of exercise and the exercise price, payable in cash or shares. SARs may not have a term of more than 10 years and may not provide for any dividends or dividend equivalents.

**Restricted Stock:** An award of shares subject to certain restrictions and the risk of forfeiture. Any dividends or other distributions on Restricted Stock awards with restrictions that lapse as a result of the achievement of Performance Measures (further described below) will be deferred until and paid contingent upon the achievement of the applicable Performance Measures.

**Restricted Stock Units:** An award of units representing the right to receive one share or an amount equal to the fair market value of one share, payable in cash or shares, subject to certain restrictions and/or the risk of forfeiture. Any dividends or other distributions on Restricted Stock Unit awards with restrictions that lapse as a result of the achievement of Performance Measures (further described below) will be deferred until and paid contingent upon the achievement of the applicable Performance Measures.

**Performance Shares:** An award, denominated in shares, which is earned during a specified performance period subject to the attainment of performance criteria. Any dividends or other distributions on Performance Shares with restrictions that lapse as a result of the achievement of Performance Measures will be deferred until and paid contingent upon the achievement of the applicable Performance Measures.

**Performance Units:** An award, denominated in currency-valued units, which is earned during a specified performance period subject to the attainment of performance criteria. Any dividends or other distributions on Performance Units with restrictions that lapse as a result of the achievement of Performance Measures will be deferred until and paid contingent upon the achievement of the applicable Performance Measures.

**Cash Incentive Awards:** A cash award that is earned during a specified performance period subject to the attainment of performance criteria.

**Other Stock Awards:** An award of shares or an award that is based in whole or in part on the value of a share (such as dividend equivalents), payable in shares, cash, other securities, or other property. Any dividends or other distributions on other stock awards with restrictions that lapse as a result of the achievement of Performance Measures will be deferred until and paid contingent upon the achievement of the applicable Performance Measures.

**Section 162(m)**

**Qualification:**

The Compensation Committee may designate certain awards, referred to as Qualified Performance-Based Awards, intended to be compliant with the requirements for "qualified performance-based compensation" under Section 162(m) of the Internal Revenue Code.

The following individual annual grant limitations generally apply per calendar year, subject to adjustment as described in the 2014 Plan:

**Options/ SARs:** 500,000 shares (aggregate).

**Qualified Performance-Based Awards of Performance Shares:** 300,000 shares.



*Qualified Performance-Based Awards of Performance Units: \$3,000,000.*

*Qualified Performance-Based Awards that are Cash Incentive Awards: \$3,000,000.*

**Individual  
Non-Employee  
Director Limits:**

No non-employee member of the Board may receive in any calendar year (1) share-based awards under the 2014 Plan for, in the aggregate, more than 30,000 shares, and (2) cash-based awards under the 2014 Plan having an aggregate maximum value in excess of \$500,000.

**Performance  
Criteria:**

Performance criteria applicable to any Qualified Performance-Based Award to a covered employee, referred to as Performance Measures, must be based on one or more, or a combination, of the following: free cash flow; earnings per share, diluted or basic; earnings per share from continuing operations, diluted or basic; earnings before interest and taxes; earnings before interest, taxes, depreciation, and amortization; earnings from continuing operations; net asset turnover; order intake; debt ratios; operating expense; inventory turns; net earnings; operating earnings; gross or operating margin, gross margin percentage; return on equity; capital expenditures; cost of quality; on-time delivery; return on net assets; return on capital; return on investment; return on sales; net sales; sales growth; market share; economic value added; cost of capital; expense reduction levels; stock price; productivity; working capital; controllable working capital and total shareholder return.

Performance Measures may be considered either alone or in any combination, and may be expressed with respect to CTS or one or more operating units or groups, as the Compensation Committee may determine. Performance Measures may be described in terms of CTS-wide objectives or objectives that are related to the performance of the individual Participant or of one or more of the subsidiaries, divisions, departments, regions, functions or other organizational units within the Company or its subsidiaries. The Performance Measures may be made relative to the performance of other companies or subsidiaries, divisions, departments, regions, functions or other organizational units within such other companies, and may be made relative to an index or one or more of the Performance Measures.

The Compensation Committee shall provide how any Performance Measure shall be adjusted to the extent necessary to prevent dilution or enlargement of any award as a result of extraordinary events or circumstances, as determined by the Compensation Committee, or to exclude the effects of extraordinary, unusual, or non-recurring items, such as restructuring, asset impairment or the gain or loss on asset sales; changes in applicable laws, regulations, or accounting principles; currency fluctuations; discontinued operations; non-cash items, such as amortization, depreciation, or reserves; or any recapitalization, reorganization, merger, acquisition, divestiture, consolidation, spin-off, split-up, combination, liquidation, dissolution, or other similar corporate transactions; provided, however, that such action shall not be taken in the case of a Qualified Performance-Based Award where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code.

Certain adjustments must be made to the maximum share amounts and other limitations or terms in the event of certain changes in the number of outstanding shares or certain corporate transactions or other similar events, including stock splits and stock dividends. In the event of such transaction or event or a change in control, the Compensation Committee may provide alternative consideration (including cash) as a substitute for awards under the 2014 Plan and may require surrender and replacement of awards in compliance with Section 409A of the Internal Revenue Code. For each option or SAR with an exercise price greater than the consideration offered in connection with any such transaction or event or a change in control, the Compensation Committee may in its sole discretion elect to cancel such option or SAR without any payment to the person holding such option or SAR.

**Change in Control:**

Award agreements may provide for the treatment of awards upon certain corporate transactions or events, including a change in control.

For purposes of the 2014 Plan, except as the Compensation Committee may otherwise provide for in an award agreement, a "Change in Control" will generally be deemed to have occurred upon the occurrence of any of the following events: (1) certain acquisitions of beneficial ownership of 25% or more of the combined voting power of CTS securities entitled to vote to elect CTS directors, subject to certain exceptions described in the 2014 Plan; (2) a turn-over of a majority of CTS' incumbent Board serving on the effective date of the 2014 Plan, subject to certain exceptions described in the 2014 Plan; (3) the consummation of certain corporate transactions (such as a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of CTS), unless certain qualifying criteria are met, as described in the 2014 Plan; or (4) CTS' shareholders approve a complete liquidation or dissolution of CTS, subject to certain exceptions described in the 2014 Plan.

**Conversion Awards and Assumed Plans:**

Despite the other provisions of the 2014 Plan, shares issued or transferred under awards granted under the 2014 Plan in substitution for or conversion of, or in connection with an assumption of, stock options, SARs, restricted stock, RSUs or other stock or stock-based awards held by awardees of an entity engaging in a corporate acquisition or merger transaction with CTS or any of its subsidiaries will not count against (or be added back to) the aggregate share limit or other 2014 Plan limits described above. Additionally, shares available under certain plans that CTS or its subsidiaries may assume in connection with corporate transactions from another entity may be available for certain awards under the 2014 Plan, under circumstances further described in the 2014 Plan, but will not count against the aggregate share limit or other 2014 Plan limits described above.

**Other Provisions:**

The repricing of options or SARs without shareholder approval is prohibited.

The exercise price of an option or SAR may not be below the fair market value of a share on the date of grant, unless granted as a substitute award in compliance with Section 424(a) of the Internal Revenue Code.

The 2014 Plan shall not be construed to give a Participant the right to continue as an employee or director of CTS and a Participant will not have any rights as a shareholder unless and until shares are actually issued.

Any rights under the 2014 Plan are not assignable by a Participant except by will or by the applicable laws of descent and distribution, unless otherwise determined by the Compensation Committee. In no event will any award granted under the 2014 Plan be transferred for value.

Subject to the approval of the Board where required, the Compensation Committee may amend or terminate the 2014 Plan in whole or in part; provided that no amendment or termination may be made without shareholder approval that would increase the maximum number of shares that may be issued under the 2014 Plan (except for adjustments permitted under the 2014 Plan), change the class of eligible Participants, permit the repricing of outstanding options or SARs (other than as provided for in the 2014 Plan) or otherwise require shareholder approval. No amendment or termination may terminate or adversely affect any right of a Participant under an award without that Participant's consent, except as necessary to comply with changes in law or accounting rules applicable to CTS.

The Compensation Committee may adopt, amend, or terminate arrangements to make tax or other benefits available to Participants subject to laws of a foreign jurisdiction or to conform with such laws.

The 2014 Plan shall be governed by the laws of the State of Indiana, without regard to its conflict of laws principles.

CTS reserves the right to make certain amendments to the 2014 Plan related to compliance with Section 409A of the Internal Revenue Code.

The 2014 Plan provides that award agreements may contain an award "clawback" feature.

**Effective Date and Termination:**

The 2014 Plan will become effective as of May 21, 2014, subject to shareholder approval.

Unless earlier terminated, the 2014 Plan will expire on May 20, 2024.

**Federal Income Tax Consequences**

The following is a brief summary of some of the federal income tax consequences of certain transactions under the 2014 Plan based on federal income tax laws in effect on January 1, 2014. This summary is not intended to be complete and does not describe state or local tax consequences. It is not intended as tax guidance to Participants in the 2014 Plan.

**Tax Consequences to Participants**

**Nonqualified Stock Options.** In general, (1) no income will be recognized by an optionee at the time a nonqualified stock option is granted; (2) at the time of exercise of a nonqualified stock option, ordinary income will be recognized by the optionee in an amount equal to the difference between the exercise price paid for the shares and the fair market value of the shares, if unrestricted, on the date of exercise; and (3) at the time of sale of shares acquired pursuant to the exercise of a nonqualified stock option, appreciation (or depreciation) in value of the shares after the date of exercise will be treated as either short-term or long-term capital gain (or loss) depending on how long the shares have been held.

**Incentive Stock Options.** No income generally will be recognized by an optionee upon the grant or exercise of an incentive stock option, or ISO. The exercise of an ISO, however, may result in alternative

minimum tax liability. If shares are issued to the optionee pursuant to the exercise of an ISO, and if no disqualifying disposition of such shares is made by such optionee within two years after the date of grant or within one year after the transfer of such shares to the optionee, then upon sale of such shares, any amount realized in excess of the exercise price will be taxed to the optionee as a long-term capital gain and any loss sustained will be a long-term capital loss.

If shares acquired upon the exercise of an ISO are disposed of prior to the expiration of either holding period described above, the optionee generally will recognize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of such shares at the time of exercise (or, if less, the amount realized on the disposition of such shares if a sale or exchange) over the exercise price paid for such shares. Any further gain (or loss) realized by the Participant generally will be taxed as short-term or long-term capital gain (or loss) depending on the holding period.

**SARs.** No income will be recognized by a Participant in connection with the grant of a SAR. When the SAR is exercised, the Participant normally will be required to include as taxable ordinary income in the year of exercise an amount equal to the amount of cash received and the fair market value of any unrestricted shares received on the exercise.

**Restricted Stock.** The recipient of restricted stock generally will be subject to tax at ordinary income rates on the fair market value of the restricted stock (reduced by any amount paid by the Participant for such restricted stock) at such time as the shares are no longer subject to forfeiture or restrictions on transfer for purposes of Section 83 of the Internal Revenue Code ("Restrictions"). However, a recipient who so elects under Section 83(b) of the Internal Revenue Code within 30 days of the date of transfer of the shares will have taxable ordinary income on the date of transfer of the shares equal to the excess of the fair market value of such shares (determined without regard to the Restrictions) over the purchase price, if any, of such restricted stock. If a Section 83(b) election has not been made, any dividends received with respect to restricted stock that is subject to the Restrictions generally will be treated as compensation that is taxable as ordinary income to the Participant.

**Restricted Stock Units.** No income generally will be recognized upon the award of restricted stock units. The recipient of an award of restricted stock units generally will be subject to tax at ordinary income rates on the fair market value of unrestricted shares on the date that such shares are transferred to the Participant under the award (reduced by any amount paid by the Participant for such restricted stock units), and the capital gains/loss holding period for such shares will also commence on such date.

**Performance Shares and Performance Units.** No income generally will be recognized upon the grant of performance shares or performance units. Upon payment in respect of the earn-out of performance shares or performance units, the recipient generally will be required to include as taxable ordinary income in the year of receipt an amount equal to the amount of cash received and the fair market value of any unrestricted shares received.

**Other Stock Awards.** No income generally will be recognized upon the grant of other stock awards. Upon payment of other awards, the recipient generally will be required to include as taxable ordinary income in the year of receipt an amount equal to the amount of cash received and the fair market value of any unrestricted shares received.

**Cash Incentive Awards.** Upon payment in respect of the earning of cash incentive awards, the recipient generally will be required to include as taxable ordinary income in the year of receipt an amount equal to the amount of cash received.



