CTS CORP
Form DEF 14A
April 05, 2018

April 5, 2018
Dear CTS Shareholder:

You are cordially invited to attend the 2018 Annual Meeting of Shareholders of CTS Corporation. The meeting will be held on Thursday, May 17, 2018, at 9:30 a.m. Central Time, at the Hotel Arista located at 2139 City Gate Lane, Naperville, Illinois 60563.

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 2018 Proxy Statement and Annual Report to Shareholders for the year ended December 31, 2017, 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 2018 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 to vote your shares. The vote of every shareholder is important.

Kieran O'Sullivan
Chairman, President and Chief Executive Officer

Table of Contents

NOTICE OF THE 2018 ANNUAL MEETING OF SHAREHOLDERS	Preamble
2018 ANNUAL MEETING OF SHAREHOLDERS	1
PROPOSAL 1: ELECTION OF DIRECTORS	4
PROPOSAL 2: APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF CTS' NAMED EXECUTIVE OFFICERS	6
PROPOSAL 3: RATIFICATION OF APPOINTMENT OF GRANT THORNTON LLP AS INDEPENDENT AUDITOR FOR 2018	6
PROPOSAL 4: APPROVAL OF THE CTS CORPORATION 2018 EQUITY AND INCENTIVE COMPENSATION PLAN	7
SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE	15
COMMITTEES OF THE BOARD OF DIRECTORS	15
Compensation Committee	15
Nominating and Governance Committee	15
Audit Committee	16
Technology and Transactions Committee	16
FURTHER INFORMATION CONCERNING THE BOARD OF DIRECTORS	17
Attendance	17
Director Independence	17
Meetings of Non Management Directors	18
Board Leadership Structure	18
Board of Directors' Role in Risk Oversight	19
Director Education	19
Stock Ownership Guidelines for Executives and Directors	19
Director Resignation Policy	20
Code of Ethics	20
Communications to Directors	21
STOCK OWNERSHIP INFORMATION	21
Five Percent Owners of CTS Common Stock	21
Directors' and Officers' Stock Ownership	23
COMPENSATION DISCUSSION AND ANALYSIS	23
Executive Summary	24
Compensation Objectives	25
Compensation Philosophy	25
Role of Management in 2017 Named Executive Officer Compensation Decisions	27
How Final 2017 Named Executive Officer Compensation was Determined	27
Overall Mix and Structure of 2017 Named Executive Officer Compensation	27
Benchmarking for 2017	28
Elements of 2017 Named Executive Officer Compensation	28
Agreements with Named Executive Officers	34
Stock Ownership Guidelines	34
CTS Securities Hedging/Pledging Policy	34
Policy on Recovery of Awards	34
COMPENSATION COMMITTEE REPORT	35
CTS Corporation 2017 Compensation Committee	35
EXECUTIVE COMPENSATION	36
2017 Summary Compensation Table	36
2017 Grants of Plan Based Awards	37

-i-

Outstanding Equity Awards at 2017 Fiscal Year End	38
2017 Option Exercises and Stock Vested	39
Potential Payments Upon Termination or Change in Control	39
Change in Control Severance Agreement Table	40
Executive Severance Policy	41
CEO Pay Ratio	42
2017 Director Compensation	43
REPORT OF THE AUDIT COMMITTEE	44
CTS Corporation 2017 Audit Committee	44
Independent Auditor	45
2017 ANNUAL REPORT ON FORM 10‑K	45

NOTICE OF THE 2018 ANNUAL MEETING OF SHAREHOLDERS
To Be Held On
May 17, 2018

To CTS Shareholders:

The 2018 Annual Meeting of Shareholders of CTS Corporation will be held on Thursday, May 17, 2018, at 9:30 a.m. Central Time, at the Hotel Arista located at 2139 City Gate Lane, Naperville, Illinois 60563. To obtain directions to the meeting location, please call (630) 577 8800, or see the map on page 3 of the Proxy.

Only CTS shareholders of record at the close of business on March 19, 2018, may vote at this meeting or any adjournments that may take place. At the meeting, shareholders will vote on the following items:

PROPOSAL 1 Election of seven directors for a one year term;
PROPOSAL 2 Approval, on an advisory basis, of the compensation of CTS' named executive officers;
PROPOSAL 3 Ratification of the appointment of Grant Thornton LLP as CTS' independent auditor for 2018;
PROPOSAL 4 Approval of the CTS Corporation 2018 Equity and Incentive Compensation Plan (the "2018 Plan"); and
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 the advisory approval of CTS' named executive officer compensation, in favor of the ratification of the appointment of Grant Thornton LLP, and in favor of the 2018 Plan.

By Order of the Board of Directors,

Luis F. Machado
Corporate Secretary

April 5, 2018

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 17, 2018.

The Notice, 2018 Proxy Statement, Form of Proxy and 2017 Annual Report to Shareholders are available at http://www.ctscorp.com/investors

PROXY STATEMENT
2018 ANNUAL MEETING OF SHAREHOLDERS
To be held on
May 17, 2018

This proxy statement is furnished in connection with the solicitation by the Board of Directors ("Board") of CTS Corporation ("CTS", "we", "us", "our" or the "Company") of proxies to be voted at the 2018 Annual Meeting of Shareholders ("Annual Meeting"). CTS will bear the cost of this solicitation. On or about April 5, 2018, 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 2018; and
(4) Approval of the CTS Corporation 2018 Equity and Incentive Compensation Plan (the "2018 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 advisory approval of CTS' named executive officer compensation;
(3) FOR ratification of the appointment of Grant Thornton LLP as CTS' independent auditor for 2018; and
(4) FOR approval of the 2018 Plan.

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 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, Chairman, President and Chief Executive Officer, and Luis F. Machado, Vice President, General Counsel and 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 seven director nominees receiving the most votes will be elected. Only votes cast for a nominee will have an impact on the election of directors. Abstentions, broker non votes and instructions on your proxy to withhold authority to vote for one or more of the nominees will have no impact as they will only result in those nominees receiving fewer votes;

(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 2018 will be ratified if a majority of the votes cast support the appointment. Your broker or other nominee will be able to vote your shares with respect to this proposal without your instructions because the proposal to ratify the appointment of Grant Thornton LLP is considered "routine." Abstentions will 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 2018 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 March 19, 2018, 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 33,017,770 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 Time on May 16, 2018. Of course, you may always vote in person at the meeting. You may revoke your proxy at any time before it is exercised by giving us written notice, sent to our principal executive offices, by submitting a duly executed proxy card to us bearing a later date, or by giving notice to us at the Annual 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 ("Vanguard"), 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 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 Time on May 15, 2018. After that time, your instructions will be transmitted to the plan trustee and cannot be changed. If Vanguard does not receive your instructions 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, if you are not the record holder of your shares, to attend the Annual Meeting you must first obtain a legal proxy form from your broker or other organization that holds your shares. Please contact your 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.

Below is a map reflecting the location of CTS' Annual Meeting.

Q: Who solicits proxies on behalf of the Board and how much will this proxy solicitation cost?

A: Broadridge, Inc. distributes proxy materials on CTS' behalf and is compensated by CTS for mailing and distribution expenses. Proxies may also 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, by directing written or oral requests to CTS Corporation, Corporate Secretary, 4925 Indiana Avenue, Lisle, Illinois 60532, by calling (630) 577 8800 and leaving a message for our Corporate Secretary, by sending an email to shareholder.services@ctscorp.com by May 4, 2018, 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 2019 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 2, 2019, and no later than February 16, 2019. The notice of nomination is required to contain certain representations and information about the nominee, which are described in CTS' Bylaws. Copies of the Bylaws may be obtained free of charge from CTS' Corporate Secretary, or from CTS' website at http://www.ctscorp.com/wp-content/uploads/BL.pdf.

Q: When are shareholder proposals for the 2018 Annual Meeting of Shareholders due?

A: CTS' advance notice Bylaw provisions require that in order to be presented at the 2019 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 2, 2019 and no later than February 16, 2019. Certain information is required to be included with shareholder proposals, which is described in CTS' Bylaws. Copies of the Bylaws may be obtained free of charge from CTS' Corporate Secretary, or from CTS' website at http://www.ctscorp.com/wp-content/uploads/BL.pdf. To be included in our proxy materials relating to the 2019 Annual Meeting of Shareholders proposals must be received by us on or before December 6, 2018, (or, if the date of the 2019 Annual Meeting of Shareholders is more than 30 days before or after the date of the 2018 Annual Meeting of Shareholders, a reasonable time before we begin to print and send our proxy materials).

PROPOSALS UPON WHICH YOU MAY VOTE

PROPOSAL 1	ELECTION OF DIRECTORS;
PROPOSAL 2	APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF CTS' NAMED EXECUTIVE OFFICERS;
PROPOSAL 3	RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP AS CTS' INDEPENDENT AUDITOR FOR 2018; AND
PROPOSAL 4	APPROVAL OF THE CTS CORPORATION 2018 EQUITY AND INCENTIVE COMPENSATION PLAN (THE "2018 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 2018 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. As part of the succession planning and search process, the Nominating and Governance Committee and the Board regularly assess the Board's size. The Board has established the number of authorized directors at seven. Mr. Catlow will retire immediately following the 2018 Annual Meeting of Shareholders and has not been nominated for election in 2018. On April 2, 2018, the Board appointed Mr. Zulueta to serve as a director, temporarily increasing the number of directors to 8. There are seven director nominees for election and the number of authorized directors will remain at seven effective as of the Annual Meeting. 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 5, 2018, the date of this proxy statement. Each director nominee has agreed to serve as a director if elected. If one or more of the nominees becomes unavailable for election, the remaining 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.

PATRICIA K. COLLAWN
Age 59 Director since 2003

Ms. Collawn is the 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, 2012, and President and Chief Executive Officer from March 1, 2010 to December 31, 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. Ms. Collawn received 98.99% of votes cast at the 2017 Annual Meeting.

GORDON HUNTER
Age 66
Director Since 2011

Mr. Hunter is the Chairman 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 as Chairman, President and Chief Executive Officer of Littelfuse, Inc. on January 1, 2005 until January 2017. He served as Executive Chairman from January 1, 2017 until December 31, 2017. He is currently a member of the Board of Directors of Veeco Instruments, Inc., where he serves on its Compensation Committee and on the Board of Directors of SMC Company. Mr. Hunter also serves on the Council of Advisors of Shure Incorporated. The Board believes that Mr. Hunter's experience as a 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. Mr. Hunter received 98.18% of votes cast at the 2017 Annual Meeting.

WILLIAM S. JOHNSON
Age 61
Director Since 2015

Mr. Johnson is Senior Advisor of Cabot Microelectronics Corporation, a global supplier of specialty materials to the semiconductor industry. He joined the company as Chief Financial Officer in April 2003, was named an Executive Vice President in April 2013, and then served as Executive Vice President and Chief Financial Officer until January 2018. Prior to 2003, he was Executive Vice President and Chief Financial Officer for Budget Group, Inc. from August 2000 to March 2003. Before that, Mr. Johnson worked for 16 years at BP Amoco in various finance and management positions. The Board believes that Mr. Johnson's experience as a Chief Financial Officer of a publicly traded corporation serving global markets, in addition to his financial expertise in a range of industries, substantial risk management skills and broad international business experience, make him well qualified to serve as a director. Mr. Johnson received 99.13% of votes cast at the 2017 Annual Meeting.

DIANA M. MURPHY
Age 61
Director since 2010

Ms. Murphy is the Managing Director of Rocksolid Holdings, LLC, a private equity firm, serving in that capacity since January 2007. She was the managing director of the Georgia Research Alliance Venture Fund, a private investment fund created to help finance promising companies emerging from Georgia's research universities, serving in that capacity from 2012 until 2015. Prior to joining Rocksolid, she was a Managing Director at Chartwell Capital Management Company, a private equity firm. She is Chairman of the Board of Directors of Landstar System, Inc., and a Director of Georgia Research Alliance Venture Fund, LLC and the Coastal Bank of Georgia, along with other private and non-profit boards. She is immediate Past 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. Ms. Murphy received 98.44% of votes cast at the 2017 Annual Meeting.

KIERAN O'SULLIVAN
Age 56
Director since 2013

Mr. O'Sullivan is the Chairman, 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. Mr. O'Sullivan is a member of the Board of Directors and Chairman of the Compensation Committee, and a member of the Risk Committee of LCI Industries, a supplier of components for manufacturers of recreational vehicles, manufactured homes and for the related aftermarkets of those industries. The Board believes that Mr. O'Sullivan's more than twenty six 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. Mr. O'Sullivan received 97.64% of votes cast at the 2017 Annual Meeting.

ROBERT A. PROFUSEK
Age 68
Director since 1998

Mr. Profusek is the global chairman of the mergers & acquisitions department of 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 Compensation Committee of Valero's Board of Directors. 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 publicly traded companies make him well qualified to serve as a director. Mr. Profusek received 99.11% of votes cast at the 2017 Annual Meeting.

ALFONSO G. ZULUETA
Age 55
Director since 2018

Mr. Zulueta is Senior Vice President with Eli Lilly and Company and President of Lilly International. He has been with Eli Lilly and Company since 1988, holding various roles of increasing responsibility. Prior to his current role, Mr. Zulueta served as President of Emerging Markets, President of Eli Lilly Japan, and President of Asian Operations. The Board believes that Mr. Zulueta's broad global management experience, his exposure to a range of cultures, and his deep experience in medical markets make him well qualified to serve as a director. Mr. Zulueta was appointed to the board of directors effective April 2, 2018.

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 describes CTS' executive compensation program and the compensation decisions made by the Compensation Committee and the Board in 2017 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 and as selected by the shareholders with 77.38% of the vote at the 2017 Annual Meeting, the shareholder vote for advisory approval of named executive officer compensation will occur annually. The next such vote will occur at our 2019 Annual Meeting of Shareholders. Shareholders approved, on an advisory basis, the 2016 compensation of CTS' named executive officers by a vote of 96.75% at the 2017 Annual Meeting.

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 certain performance based awards; and
- vesting a significant amount of equity compensation over multi year periods.

CTS remains 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 the CTS 2018 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 advisory approval of CTS' named executive officer compensation.

PROPOSAL 3: RATIFICATION OF APPOINTMENT OF GRANT THORNTON LLP AS INDEPENDENT AUDITOR FOR 2018

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 2018. In the event that ratification of the appointment of Grant Thornton LLP as independent auditor for 2018 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 2018.

PROPOSAL 4: APPROVAL OF THE CTS CORPORATION 2018 EQUITY AND INCENTIVE COMPENSATION PLAN

General

We are asking shareholders to approve the CTS Corporation 2018 Equity and Incentive Compensation Plan (the "2018 Plan"). On February 8, 2018, upon the recommendation of the Compensation Committee, the Board unanimously approved and adopted, subject to shareholder approval, the 2018 Plan to replace our current equity plan, the CTS Corporation 2014 Performance and Incentive Compensation Plan (the "2014 Plan"). Our shareholders approved the 2014 Plan at CTS' 2014 Annual Meeting of Shareholders. The Board is recommending that CTS' shareholders vote in favor of the 2018 Plan, which will succeed in its entirety the 2014 Plan. The 2018 Plan will afford the Compensation Committee the ability to provide certain employees of CTS and its affiliates and CTS' non-employee directors ("Participants") with the opportunity to receive stock-based and other incentive grants in order to attract, motivate and help retain qualified individuals and to align their interests with the interests of CTS' shareholders. You are being asked to approve the 2018 Plan.

If the 2018 Plan is approved by shareholders at the 2018 Annual Meeting, it will be effective as of the day of the 2018 Annual Meeting, and no further grants will be made on or after such date under the 2014 Plan. Outstanding awards under the 2014 Plan, however, will continue in effect in accordance with their terms. If the 2018 Plan is not approved by our shareholders, no awards will be made under the 2018 Plan and the 2014 Plan will remain in effect.

Our principal reason for adopting the 2018 Plan is to obtain shareholder approval of 2,500,000 shares of our common stock, without a par value ("Common Shares"), available for awards under the 2018 Plan as described below and in the 2018 Plan. The Board recommends that you vote to approve the 2018 Plan. The actual text of the 2018 Plan is attached to this proxy statement as Exhibit A. The following description of the 2018 Plan is only a summary of its principal terms and provisions and is qualified by reference to the actual text as set forth in Exhibit A. A new plan benefits table is not provided because no grants have been made under the 2018 Plan and all grants will be discretionary, as further described below.

Why CTS Believes You Should Vote for Proposal 4

The 2018 Plan authorizes the Compensation Committee to provide equity-based compensation in the form of stock options, stock appreciation rights (SARs), restricted stock, restricted stock units (RSUs), performance shares, performance units and other stock or stock-based awards to Participants. The 2018 Plan also authorizes the Compensation Committee to provide cash incentive awards to these same Participants. Some of the key features of the 2018 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 continues to depend 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 awards under the 2018 Plan is critical to achieving this success. CTS believes it 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 Common Shares as part of CTS' compensation program is also important to its continued success because equity-based awards are an essential component of our compensation program for certain employees, as they link compensation with long-term shareholder value creation and reward Participants based on CTS' performance. As discussed in further detail in the "Compensation Discussion and Analysis", equity compensation represents a significant portion of the compensation package for our Chief Executive Officer and other named executive officers. Because our equity awards generally vest over multiple years, the value ultimately realized from these awards depends on the long-term value of our Common Shares. Our equity compensation program also helps us to attract and retain talent, targeting individuals who are motivated by pay-for-performance. Equity compensation also aligns the compensation interests of CTS' directors 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 criteria.

As of March 19, 2018, 50,057 Common Shares remained available for awards under the 2014 Plan. If the 2018 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.

The following includes aggregated information regarding the overhang and dilution associated with our now-terminated CTS Corporation Amended and Restated 2009 Omnibus Equity and Performance Incentive Plan (the "A&R 2009 Plan") and the 2014 Plan, and the potential shareholder dilution that would result if the proposed Common Share authorization under the 2018 Plan is approved. The following information is as of March 19, 2018. As of that date, there were approximately 33,017,770 of CTS' Common Shares outstanding.

- Total outstanding full-value awards (RSUs), assuming that the outstanding awards achieve maximum performance: 739,711 Common Shares (2.24 percent of outstanding Common Shares);
- Outstanding stock options: 295,000 Common Shares (.89 percent of outstanding Common Shares) (outstanding stock options have a weighted average exercise price of $18.37 and an average remaining term of 2.2 years);
- Total Common Shares subject to outstanding awards as described above (stock options and RSUs): 1,034,711 Common Shares (3.13 percent of outstanding Common Shares);
- Total Common Shares currently available for future awards under the 2014 Plan: 50,057 Common Shares (.15 percent of outstanding Common Shares);
- The total number of Common Shares subject to outstanding awards (1,034,711 Common Shares), plus the total number of Common Shares currently available for future awards under the 2014 Plan (50,057 Common Shares), represents a current overhang percentage of 3.29 percent (potential dilution represented by the 2014 Plan);
- Proposed Common Shares available for awards under the 2018 Plan: Our new Common Share request is for 2,500,000 Common Shares. This would essentially encompass the 50,057 Common Shares currently remaining available for awards under the 2014 Plan and an additional 2,449,943 Common Shares. A request for 2,500,000 Common Shares represents about 7.6 percent of our outstanding Common Shares, this percentage reflects the dilution of our shareholders that could occur if the 2018 Plan is approved; and
- The total Common Shares subject to outstanding awards as of March 19, 2018 (739,711 Common Shares), plus the proposed Common Shares available for awards under the 2018 Plan (2,500,000 Common Shares), represent a total overhang of 3,239,711 Common Shares (9.8 percent of outstanding Common Shares) under the 2018 Plan.

Based on the closing price on NYSE for CTS' Common Shares on March 19, 2018 of $27.80 per Common Share, the aggregate market value as of March 19, 2018 of the 2,500,000 Common Shares requested for awards under the 2018 Plan was $69,500,000.

In 2015, 2016 and 2017, CTS granted awards under the 2014 Plan covering 585,725 Common Shares (including options), 258,564 Common Shares, and 181,659 Common Shares, respectively. Based on our basic weighted average of Common Shares outstanding for those three years of 32,548,477, 32,762,494, and 32,933,326 respectively, for the three-fiscal-year period 2015-2017, our average burn rate, not taking into account forfeitures, was 1% (our individual years' burn rates were 1.8% for 2015, .8% for 2016, and .6% for 2017).

In determining the number of Common Shares to request for approval under the 2018 Plan, CTS' management team worked with Compensation Strategies, Inc., the Compensation Committee's independent compensation consultant, and the Compensation Committee to evaluate a number of factors including CTS' recent Common Share usage and criteria expected to be utilized by institutional proxy advisory firms in evaluating this proposal for the 2018 Plan.

If the 2018 Plan is approved, CTS intends to utilize the Common Shares authorized under the 2018 Plan to continue its practice of incentivizing key individuals through equity grants. CTS currently anticipates that the Common Shares requested in connection with the approval of the 2018 Plan will last for about 8 years, based on its historic grant rates and the approximate current Common Share price, but could last for a shorter period of time if actual practice does not match historic rates or CTS' Common Share price changes materially. As noted elsewhere below, CTS' Compensation Committee would retain full discretion under the 2018 Plan to determine the number and amount of awards to be granted under the 2018 Plan, subject to the terms of the 2018 Plan, and future benefits that may be received by Participants under the 2018 Plan are not determinable at this time.

CTS believes that it has demonstrated a commitment to sound equity compensation practices. CTS recognizes that equity compensation awards dilute shareholders' equity, so it has carefully managed its equity incentive compensation. CTS' equity compensation practices are intended to be competitive and consistent with market practices, and CTS believes its historical Common Share usage has been responsible and mindful of shareholder interests, as described above. In evaluating this proposal, shareholders should consider all of the information in this proposal.

2018 Plan Highlights

Administration. Generally, the 2018 Plan will be administered by the Compensation Committee. The Compensation Committee shall have authority to interpret the 2018 Plan and any award agreement under the 2018 Plan, prescribe rules and regulations, and make determinations necessary for the administration of the 2018 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. The Compensation Committee is authorized to take any action under the 2018 Plan it determines in its sole discretion to be appropriate subject only to the express limitations contained in the 2018 Plan, and no authorization in any 2018 Plan section or other provision of the 2018 Plan is intended or may be deemed to constitute a limitation on the authority of the Compensation Committee. CTS will not be required to issue fractional Common Shares under the 2018 Plan; the Compensation Committee may eliminate fractional Common Shares or settle such fractions in cash.

Reasonable 2018 Plan Limits. Subject to adjustment and the applicable Common Share counting provisions as described in the 2018 Plan, the maximum number of Common Shares available for awards under the 2018 Plan is 2,500,000 Common Shares. This Common Share pool will be reduced by one Common Share for every one Common Share subject to an award granted under the 2018 Plan, subject to the Common Share counting provisions of the 2018 Plan. The Common Shares available under the 2018 Plan will be authorized and unissued Common Shares, Common Shares purchased in the open market or otherwise, Common Shares in treasury, or any combination thereof. Unless otherwise determined by the Compensation Committee, awards that are designed to operate in tandem with other awards will not count against the maximum number of Common Shares available under the 2018 Plan in order to avoid double counting.

In addition, the 2018 Plan provides that, subject to adjustment as described in the 2018 Plan:

- the maximum number of Common Shares that may be issued or transferred upon the exercise of Incentive Stock Options (as defined below) will not exceed the total Common Share pool for the 2018 Plan as described above; and
- in no event will any non-employee director in any calendar year be granted compensation for such service having an aggregate maximum value (measured at the date of grant as applicable, and calculating the value of any equity awards based on the grant date fair value for financial reporting purposes) in excess of $500,000.

Allowances for Conversion Awards and Assumed Plans. Common Shares issued or transferred under awards granted under the 2018 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 to) the aggregate Common Share limit or other 2018 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 2018 Plan, under circumstances further described in the 2018 Plan, but will not count against (or be added to) the aggregate Common Share limit or other 2018 Plan limits described above.

Limited Share Recycling Provisions. Subject to certain exceptions described in the 2018 Plan, if any Common Shares subject to an award granted under the 2018 Plan are forfeited, or if any award granted under the 2018 Plan is cancelled or forfeited, expires or is settled for cash (in whole or in part), or is unearned (in whole or in part), the Common Shares subject to such award will, to the extent of such cancellation, forfeiture, expiration, cash settlement, or unearned amount, again be available for awards under the 2018 Plan. The following Common Shares will not be added (or added back, as applicable) to the aggregate

Common Share limit under the 2018 Plan: (1) Common Shares withheld by us, tendered or otherwise used in payment of the exercise price of a stock option or SAR granted under the 2018 Plan, (2) Common Shares withheld by us, tendered or otherwise used to satisfy tax withholding, and (3) Common Shares reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of stock options granted under the 2018 Plan. Further, all Common Shares covered by SARs that are exercised and settled in Common Shares, whether or not all Common Shares covered by the SARs are actually issued to the Participant upon exercise, will be counted against the aggregate number of Common Shares available under the 2018 Plan. If a Participant elects to give up the right to receive compensation in exchange for Common Shares based on fair market value, such Common Shares will not count against the aggregate number of shares available under the 2018 Plan.

No Repricing Without Shareholder Approval. Except in connection with certain corporate transactions or events as described in the 2018 Plan, the repricing of options and SARs is prohibited without shareholder approval under the 2018 Plan.

Change in Control Definition. The 2018 Plan includes a definition of “Change in Control,” which definition is set forth below.

Other Feature. The 2018 Plan also provides that, except with respect to certain converted, assumed or substituted awards as described in the 2018 Plan, no stock options or SARs will be granted with an exercise price less than the fair market value of a Common Share on the date of grant.

Summary of Other Material Terms of the 2018 Plan

Eligibility. The Compensation Committee will designate those employees of CTS and its affiliates and the non-employee Board members who will participate in and receive awards under the 2018 Plan. The number of persons eligible to participate in the 2018 Plan is currently estimated to be approximately 100 such employees and 5 non-employee Board members.

Awards. The following types of awards may be granted under the 2018 Plan (which awards 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 2018 Plan:

- Stock Options: Stock options represent rights to purchase Common Shares at a specified exercise price. The exercise price of stock options granted under the 2018 Plan may not be less than the fair market value of a common share on the date of grant, unless such grant is in substitution or assumption of another stock option in accordance with plan terms. 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 of 1986, as amended (the “Code”). Options may not have a term of more than 10 years, and may not provide for any dividends or dividend equivalents.
- SARs: SARs represent rights to receive the difference between the fair market value of a Common Share on the date of exercise and the exercise price, payable in cash or Common Shares. The exercise price of SARs granted under the 2018 plan may not be less than the fair market value of a common share on the date of grant, unless such grant is in substitution or assumption of another SAR in accordance with plan terms. SARs may not have a term of more than 10 years and may not provide for any dividends or dividend equivalents.
- Restricted Stock: Restricted stock represents Common Shares subject to certain terms and restrictions and the risk of forfeiture. Any dividends or other distributions on Restricted Stock (but only to the extent such award itself provides for dividends or other distributions thereon) will be deferred until and paid contingent upon the earning or vesting of the underlying award.
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- Restricted Stock Units: RSUs represent the right to receive Common Shares or an amount equal to the fair market value of such Common Shares, payable in cash or Common Shares, subject to certain restrictions and/or the risk of forfeiture. Any dividends or other distributions on RSUs (but only to the extent such award itself provides for dividends or other distributions thereon) will be deferred until and paid contingent upon the earning or vesting of the underlying award.
- Performance Shares: Performance shares represent an award, denominated in Common Shares, which is earned during a specified performance period subject to the attainment of one or more performance measures. Any dividends or other distributions on performance shares (but only to the extent such award itself provides for dividends or other distributions thereon) will be deferred until and paid contingent upon the earning or vesting of the underlying award.

- Performance Units: Performance units represent an award, denominated in currency-valued units, which is earned during a specified performance period subject to the attainment of one or more performance measures. Any dividends or other distributions on performance units (but only to the extent such award itself provides for dividends or other distributions thereon) will be deferred until and paid contingent upon the earning or vesting of the underlying award.
- Cash Incentive Awards: Cash incentive awards are cash awards that are earned during a specified performance period subject to the attainment of one or more performance criteria.
- Other Stock Awards: Other stock awards are awards of Common Shares or other awards based in whole or in part on the value of a Common Share (such as dividend equivalents) or related to Common Shares, payable in Common Shares, cash, other securities, or other property. Any dividends or other distributions on other stock awards (but only to the extent such award itself provides for dividends or other distributions thereon) will be deferred until and paid contingent upon the earning or vesting of the underlying award.

Performance Measures. Under the 2018 Plan, the Compensation Committee may utilize performance objectives determined by the Compensation Committee for Participants who have received grants of performance shares, performance units or cash incentive awards or, when so determined by the Compensation Committee, stock options, SARs, restricted stock, RSUs or other stock awards.

Adjustments. In the event of any corporate transaction (as described in the 2018 Plan) or event having a similar effect, the Compensation Committee will make or provide for such adjustments in the number and kind of shares available for awards under the 2018 Plan and any 2018 Plan limits, the number and kind of shares covered by outstanding awards, the exercise price for outstanding awards, and other award terms, as the Compensation Committee, in its sole discretion, exercised in good faith, determines is equitably required to prevent dilution or enlargement of the rights of Participants or the benefits intended to be made available under the 2018 Plan. In the case of any stock split, including a stock split effected by means of a stock dividend, or of any other dividend paid in CTS Common Shares, the adjustments will be made automatically without the necessity of Compensation Committee action, on the customary arithmetical basis. Any fractional Common Share resulting from such an adjustment will be disregarded except as may be required for compliance with Section 409A of the Code. Also, in the event of any such transaction or event or in the event of a Change in Control, the Compensation Committee may provide in substitution for any or all outstanding awards under the 2018 Plan such alternative consideration (including cash) as it may determine to be equitable and may require the surrender of all or part of any award to be replaced in a manner that complies with Section 409A of the Code. In addition, for each stock option or SAR with an exercise price greater than the consideration offered in connection with any such transaction or event or Change in Control, the Compensation Committee may choose to cancel such award without any payment to the person holding such award.

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 2018 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 2018 Plan; (2) a turn-over of a majority of CTS’ incumbent Board serving on the effective date of the 2018 Plan, subject to certain exceptions described in the 2018 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 2018 Plan; or (4) CTS’ shareholders approve a complete liquidation or dissolution of CTS, subject to certain exceptions described in the 2018 Plan.

Withholding. The Compensation Committee may make such provisions and take such steps as it may deem necessary and appropriate for the withholding of any taxes that CTS is required by law or regulation of any governmental authority, whether federal, state, local, domestic, foreign or other, to withhold in connection with the grant, exercise, payment, or removal of restrictions of an award (or other events regarding an award). In no event will the fair market value of Common Shares to be withheld to satisfy applicable withholding taxes in connection with a benefit exceed the minimum amount required to be withheld, unless (1) an additional amount can be withheld and not result in adverse accounting consequences, (2) such additional withholding amount is authorized by the Compensation Committee, and (3) the total amount withheld does not exceed the Participant's estimated tax obligations attributable to the applicable transaction.

Other Provisions.

- The 2018 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 Common Shares are actually issued.
- Any rights under the 2018 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 2018 Plan be transferred for value.
- Subject to the approval of the Board where required, the Compensation Committee may amend or terminate the 2018 Plan in whole or in part; provided that no amendment or termination may be made without shareholder approval that would materially increase the maximum number of Common Shares that may be issued under the 2018 Plan (except for adjustments permitted under the 2018 Plan), materially change the class of eligible Participants, permit the repricing of outstanding options or SARs (other than as provided for in the 2018 Plan) or otherwise require shareholder approval. Except for adjustments permitted under the 2018 Plan, no amendment of an award by the Compensation Committee (as permitted under the 2018 Plan) may materially impair 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 2018 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 2018 Plan related to compliance with Section 409A of the Code.
- The 2018 Plan provides that award agreements may contain an award "clawback" feature or reference a clawback policy or provisions.

Effective Date and Termination. The 2018 Plan is expected to become effective as of May 17, 2018, subject to shareholder approval. Unless earlier terminated, the 2018 Plan will expire on May 16, 2028.

New Plan Benefits

It is not possible to determine the specific amounts and types of awards that may be awarded in the future under the 2018 Plan because the grant and actual pay-out of awards under the 2018 Plan are subject to the discretion of the plan administrator.

Federal Income Tax Consequences

The following is a brief summary of certain of the federal income tax consequences of certain transactions under the 2018 Plan based on federal income tax laws in effect. This summary, which is presented for the information of shareholders considering how to vote on this proposal and not for 2018 Plan Participants, is not intended to be complete and does not describe federal taxes other than income taxes (such as Medicare and Social Security taxes), or state, local or foreign tax consequences.

Tax Consequences to Participants

Nonqualified Stock Options. In general: (1) no income will be recognized by an optionee at the time a non-qualified stock option is granted; (2) at the time of exercise of a non-qualified stock option, ordinary income will be recognized by the optionee in an amount equal to the difference between the exercise price paid for the Common Shares and the fair market value of the Common Shares, if unrestricted, on the date of exercise; and (3) at the time of sale of Common Shares acquired pursuant to the exercise of a non-qualified stock option, appreciation (or depreciation) in value of the Common 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 Common 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. The exercise of an Incentive Stock Option, however, may result in alternative minimum tax liability. If Common Shares are issued to the optionee pursuant to the exercise of an Incentive Stock Option, and if no disqualifying disposition of such Common Shares is made by such optionee within two years after the date of grant or within one year after the transfer of such Common Shares to the optionee, then upon sale of such Common 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 Common Shares acquired upon the exercise of an Incentive Stock Option 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 Common Shares at the time of exercise (or, if less, the amount realized on the disposition of such Common Shares if a sale or exchange) over the exercise price paid for such Common 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 Common 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 recipient for such restricted stock) at such time as the restricted stock is no longer subject to forfeiture or restrictions on transfer for purposes of Section 83 of the Code ("Restrictions"). However, a recipient who so elects under Section 83(b) of the Code within 30 days of the date of transfer of the Common Shares will have taxable ordinary income on the date of transfer of the Common Shares equal to the excess of the fair market value of such Common 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 are subject to the Restrictions generally will be treated as compensation that is taxable as ordinary income to the recipient.

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

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, 2017:

Plan Category	(a) Number of Securities to be issued Upon Exercise of Outstanding Options, Warrants and Rights[1]	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a))
Equity compensation plans approved by security holders	970,114	$18.37	303,020
Equity compensation plans not approved by security holders [2]	9,620	—	—
Total	979,734	—	303,020

(1) The first and total rows of this column include 661,032 restricted stock units representing service-based and performance-based awards assuming achievement at target, which are settled in CTS common stock. Achievement of the maximum performance-based awards would total 1,200,750 shares of CTS common stock as settlement. Restricted stock units have no bearing on the weighted-average exercise price in column (b).

(2) In 1990, CTS adopted the Stock Retirement Plan for Non-Employee Directors. Prior to December 1, 2004, CTS annually credited an account for each non-employee director with 800 CTS common stock units. CTS also annually credited each deferred stock account with an additional number of CTS 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. As of December 1, 2004, this plan was amended to preclude crediting any additional CTS common stock units under the plan. Upon retirement, a participating non-employee director is entitled to receive one share of CTS common stock for each CTS common stock unit in his deferred stock account.

Tax Consequences to CTS

To the extent that a Participant recognizes ordinary income in the circumstances described above, CTS or the subsidiary for which the Participant performs services will be entitled to a corresponding deduction provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an “excess parachute payment” within the meaning of Section 280G of the Code and is not disallowed by the $1 million limitation on certain executive compensation under Section 162(m) of the Code.

Registration with the SEC

CTS intends to file a Registration Statement on Form S-8 relating to the Common Shares under the 2018 Plan with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, as soon as practicable after approval of the 2018 Plan by CTS’ shareholders.

Your Board recommends a vote FOR ratification of the 2018 Plan.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires CTS' directors, executive officers, and certain persons who own more than 10% of the outstanding shares of CTS common stock to file with the Securities and Exchange Commission ("SEC") and the NYSE initial reports of ownership and reports of changes in ownership of CTS common stock. Executive officers, directors and holders of at least 10% of the outstanding shares of CTS securities 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, or subsequently amended, for the year ended December 31, 2017.

COMMITTEES OF THE BOARD OF DIRECTORS

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

Compensation Committee

The Compensation Committee is a standing committee of the Board. Directors Collawn, Catlow, Hunter and Murphy are the current members of the Compensation Committee. Ms. Collawn is the Chairman of the Compensation Committee. Mr. Catlow will retire immediately following the 2018 Annual Meeting. Each member of the Compensation Committee is an independent director as defined by the NYSE Corporate Governance Listing Standards and the CTS Corporation Corporate Governance Guidelines.

The Compensation Committee held three meetings in 2017. A copy of the Compensation Committee Charter may be obtained free of charge from CTS' website at http://www.ctscorp.com/wp-content/uploads/CC.pdf.

The Compensation Committee establishes executive compensation policies and reviews and approves senior executive compensation. The Chief Executive Officer recommends the form and level of compensation for each named executive officer other than himself to the Compensation Committee. The Compensation Committee reviews and approves corporate goals and objectives relevant to the named executive officer's, including the Chief Executive Officer's, compensation, evaluates the Chief Executive Officer's performance against those objectives, and makes recommendations to the Board regarding the Chief Executive Officer's compensation. The Compensation Committee does not delegate authority to perform any of the foregoing functions with respect to the compensation of any named executive officer. The Compensation Committee also administers the CTS Corporation 2014 Performance and Incentive Compensation Plan, and the annual equity and non equity performance programs. In addition, the Compensation Committee reviews director compensation annually and makes recommendations regarding director compensation to the Board for approval. The Compensation Committee also conducts an annual evaluation of its own performance.

The Compensation Committee may, from time to time, direct senior functionaries of the Company's human resources department to research specific issues and make recommendations to the Compensation Committee. In addition, for 2017, the Compensation Committee engaged Compensation Strategies, Inc. as its compensation consultant. The Compensation Committee has assessed the independence of Compensation Strategies, as required under stock exchange listing requirements. The Compensation Committee has also considered and assessed all relevant factors, including those required by the SEC, that could give rise to a potential conflict of interest with respect to Compensation Strategies during 2017. Based on this review, the Compensation Committee did not identify any conflict of interest raised by the work performed by Compensation Strategies.

Compensation Committee Interlocks and Insider Participation. Directors Collawn, Catlow, Hunter and Murphy were appointed to the Compensation Committee following their election to the Board at CTS' 2017 Annual Meeting of Shareholders. During 2017, no executive officer of CTS served as a director of any other entity for which any CTS director was an executive officer.

Nominating and Governance Committee

The Nominating and Governance Committee is a standing committee of the Board. Directors Murphy, Collawn and Johnson are the current members of the Nominating and Governance Committee. Ms. Murphy is the Chairman of the Nominating and Governance Committee. Each member of the Nominating and Governance Committee is an independent director as defined by the NYSE Corporate Governance Listing Standards and the CTS Corporation Corporate Governance Guidelines.

The Nominating and Governance Committee held two meetings in 2017. A copy of the Nominating and Governance Committee Charter may be obtained free of charge from CTS' website at http://www.ctscorp.com/wp-content/uploads/NGCC.pdf.

The Nominating and Governance Committee reviews and makes recommendations to the Board concerning committee assignments and director nominees for election at the Annual Meeting. The Nominating and Governance Committee reviews and makes recommendations to the full Board regarding CTS officers for election and succession, including succession planning for the Chief Executive Officer. The Nominating and Governance Committee also develops the CTS Corporation Corporate Governance Guidelines for the approval of the Board and makes recommendations on matters of corporate governance. The Nominating and Governance Committee considers potential director nominees identified by management and by non-management directors and oversees director recruiting efforts. CTS' Bylaws describe the process for nominating a candidate for election to the Board at the Annual Meeting. 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 2018 Annual Meeting. At this time, the Board 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, on an annual basis, the requisite skills and director characteristics of any new members as well as the composition of the Board 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. Although the Nominating and Governance Committee has not established any specific minimum criteria or qualifications that a candidate must possess, the Nominating and Governance Committee seeks a diverse selection of candidates who possess the experience necessary to make a valuable contribution to the Board. The Board construes the notion of diversity broadly, considering differences in viewpoint, professional experience, education, skills, and other individual qualities, in addition to race, gender, and national origin. The Board does not have a formal diversity policy, but considers diversity as one criteria evaluated as a part of the total package of attributes and qualifications a particular candidate possesses. The Board believes that its efforts to foster a diverse board have been effective; while all directors are skilled in business, a variety of points of view, educational backgrounds, and experiences are represented on the Board. The Nominating and Governance Committee may retain search firms for the purpose of identifying and evaluating director candidates.

Audit Committee

The Audit Committee is a standing committee of the Board. Directors Johnson, Catlow and Hunter are the current members of the Audit Committee. Mr. Johnson is the Chairman of the Audit Committee. As a result of Mr. Catlow's retirement, the Nominating and Governance Committee has recommended, and the Board has nominated, Mr. Zulueta to serve on the Audit Committee following Mr. Catlow's retirement and Mr. Zulueta's election at the 2018 Annual Meeting. Each member of the Audit Committee is financially literate and meets the independence standards applicable to audit committee members under the NYSE Corporate Governance Listing Standards, as well as the CTS Corporation Corporate Governance Guidelines and the Audit Committee Charter. The Board has determined that Mr. Johnson and Mr. Hunter each qualifies as an audit committee financial expert under the criteria set forth in Item 407(d)(5)(ii) of Regulation S K.

The Audit Committee held eight meetings in 2017. A copy of the Audit Committee Charter may be obtained free of charge from CTS' website at http://www.ctscorp.com/wp-content/uploads/ACC.pdf.

The Audit Committee is responsible for appointing the independent auditor, approving engagement fees and 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 releases and earnings guidance. In addition, the Audit Committee reviews CTS' compliance with public company regulatory requirements and with the CTS Code of Ethics.

Technology and Transactions Committee

The Technology and Transactions Committee reviews and makes recommendations to management regarding CTS' technology strategy, new product development programs, and performance in the context of targeted market segments and strategic goals, as well as the Company's organic development of technology and opportunities to acquire technology directly or through business acquisition or combination transactions. The Technology and Transactions Committee also reviews, on a preliminary basis, possible acquisitions, divestitures or other transactions identified by management for possible consideration by the full board, assesses existing and future trends and threats in technology that may impact the Company's strategy, and reports activities of the Committee to the full Board.

Directors Hunter, Catlow, O'Sullivan and Profusek are the current members of the Technology and Transactions Committee with Mr. Hunter as the Chairman. Mr. Catlow will retire immediately following the 2018 Annual Meeting.

The Technology and Transactions Committee held two meetings in 2017. A copy of the Technology and Transactions Committee Charter may be obtained free of charge from CTS' website at http://www.ctscorp.com/wp-content/uploads/TTC.pdf.

FURTHER INFORMATION CONCERNING THE BOARD OF DIRECTORS

Attendance

During 2017, the Board held four meetings and took action by unanimous written consent twice. In 2017, all of the directors attended at least 75% of the regular meetings of the Board and the standing committees of which they were then members, either in person or by phone. It is the policy of the Board that each director endeavor to attend each Annual Meeting of Shareholders, unless exigent circumstances arise. Each director standing for re election at the 2017 Annual Meeting of Shareholders attended that meeting.

Director Independence

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

- Is not an employee of CTS and has not been an employee of CTS for at least five years;
- Is not an affiliate of CTS other than in the capacity as a director, and has not been an affiliate of CTS for at least five years;
- Is not an employee or affiliate of CTS' present auditing firm or an auditing firm retained by CTS 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 CTS 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 CTS' consolidated gross revenues, and has not been an employee of such a company for at least five years;
- Is not an employee of any company which made payments to or received payments from CTS which 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 CTS other than compensation attributable to the director's service as a member of the Board and its committees;
- Has not received more than $10,000 per year in direct compensation from CTS during the past five years, excluding compensation attributable to the director's service as a member of the Board and its committees;
- Does not have any other relationship with CTS or any other entity, including charitable and civic organizations that in the opinion of the Board could be considered to effect the director's ability to exercise his independent judgment as a director; and
- Is not an immediate family member of any individual who would fail to meet the criteria for independence set forth above.

For purposes of determining whether a director has a material relationship with CTS apart from his or her service as a director, the Board has determined that CTS' purchase of regulated electric and gas service from a utility company does not constitute a material relationship.
Additionally, for purposes of determining whether a director has a material relationship with CTS 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' website at http://www.ctscorp.com/wp-content/uploads/CGG.pdf.
The Board has determined that each non management director is or was an independent director and has or had no material relationship with CTS, apart from his or her service as a director. The Board made this determination by reference to the definition of an independent director contained in the NYSE Corporate Governance Listing Standards and by reference to the standards set forth in the CTS Corporation Corporate Governance Guidelines, as described above. As a result, the Board concluded that Walter S. Catlow, Patricia K. Collawn, Gordon Hunter, William S. Johnson, Diana M. Murphy, Robert A. Profusek and Alfonso G. Zulueta are each independent directors.

CTS does not have a specific written policy regarding transactions with related persons. However, CTS does have written policies and procedures regarding conflicts of interest. The CTS Corporation Corporate Governance Guidelines provide that the Nominating and Governance Committee shall review any transaction that might be construed to disqualify a director as independent (including any transactions that are required to be reported under Item 404(a) of Regulation S-K) and, if appropriate, make a recommendation that the Board approve such transaction. The Board would then review and, if appropriate, approve such transaction. The Nominating and Governance Committee Charter further provides that the Nominating and Governance Committee shall review any potential director conflict of interest and recommend appropriate action to the Board.

Meetings of Non Management Directors
It is the policy of the Board to hold an independent session excluding management directors at each regular scheduled Board meeting. In 2017, an independent session was held at each regular Board meeting. The Lead Independent Director of the Board presides over the independent sessions.
Board Leadership Structure
CTS does not have a policy as to whether the role of Chief Executive Officer and Chairman of the Board should be separate or combined, or whether the Chairman should be a management or non management director. In the recent past, the Board has been structured with an independent or non management director as Chairman and alternatively structured with a combined Chairman/Chief Executive or Executive Chairman and Chief Executive Officer. Currently, Mr. O'Sullivan serves as Chairman of the Board, President and Chief Executive Officer and Mr. Profusek serves as Lead Director. Mr. O'Sullivan is the only CTS director who is not independent. He does not receive any additional compensation for his service on the Board.

The Lead Independent Director is the leader of the independent directors, and leads all sessions of independent directors, which normally occur at the end of each Board meeting. A full description of his duties is as follows:

- Preside at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors;
- Approve meeting agendas and schedules for the Board;
- Review key strategic initiatives presented to the Board;
- Serve as a liaison between the Chairman and the independent directors. To that end, ensure personal availability for consultation and communication with independent directors and with the Chief Executive Officer, as appropriate;
- Call special meetings of the independent directors, as the Lead Independent Director may deem to be appropriate;

- Be available, at the request of major shareholders, for consultation and direct communication. Respond directly to shareholder and other stakeholder questions and comments that are directed to the Lead Independent Director or to the independent directors as a group, consulting on such with the Chief Executive Officer or other directors as the Lead Independent Director may deem appropriate;
- Act as a sounding board for the Chief Executive Officer and/or independent directors with respect to strategies, plans, organization, relationships, accountabilities, and other issues;
- Between regularly scheduled Board meetings discuss with the Chief Executive Officer key corporate risks and current issues and plans for presentations on such to the full Board or its committees;
- Lead the independent directors in appraising the Chief Executive Officer's performance at least annually; and
- Lead the directors in appraising the Board's performance at least annually.

The General Counsel and Corporate Secretary's Office provides support to the Lead Independent Director in fulfilling his role. The Lead Independent Director receives an annual retainer of $20,000, in addition to his ordinary director compensation, for the additional services the Lead Independent Director provides. The Board has established this leadership structure because the Board believes it is effective, efficient, appropriate to CTS' size and complexity, and represents a cost effective allocation of responsibilities.

Contrasting with the cost and efficiency benefits is the desire to ensure that control over both management and corporate governance is not overly invested in one person. The Board is confident that, as currently constituted, it will provide ample counterbalance to a combined Chairman and Chief Executive Officer and that it continues to provide suitable independent oversight of management. The independent directors on the Board are all accomplished professionals possessing substantial business and business related experience. Additionally, most have served on the Board for a number of years. As discussed above, the independent directors meet in separate session excluding management at each regular meeting of the Board. Further, any director has the right to submit items to be heard at any Board meeting. Lastly, the independent directors outnumber the one non independent director, the combined Chairman and Chief Executive Officer, by a large supermajority.

Board of Directors' Role in Risk Oversight

As a part of its oversight function, the Board monitors how management operates the Company. Risk is an important part of deliberations at the Board and committee levels throughout the year. Committees consider risks associated with their particular areas of responsibility. For example, the Audit Committee evaluates risk associated with accounting, financial reporting, and legal compliance as it reviews those functions, and the Compensation Committee considers compensation related risks and risk mitigation when it sets compensation levels and structures compensation policies. In addition, as a whole the Board considers risks affecting the Company. To that end, the Board conducts periodic reviews of corporate risk management policies and procedures and annually reviews risk assessments prepared by management as a part of CTS' enterprise risk management process. The enterprise risk management process evaluates CTS' major risk exposures and the steps management has taken to monitor and mitigate these exposures. Therefore, the Board and its committees consider, among other items, the relevant risks to CTS when granting authority to management and approving business strategies. The Board has utilized this risk management structure for a number of years. Although the Board retains the right to make changes in risk oversight responsibilities from time to time, the Board anticipates that the risk management responsibilities will continue in a substantially similar manner as described above, whether or not the Board's leadership structure changes.

Director Education

The CTS Corporation Corporate Governance Guidelines encourage all directors to participate in director continuing education programs. CTS reimburses directors for attendance at such programs. In addition, management monitors and reports to the directors regarding significant corporate governance initiatives. The directors also receive a presentation on new developments in corporate governance at least annually.

Stock Ownership Guidelines for Executives and Directors

The Board has adopted stock ownership guidelines that apply to non employee directors and executives in order to increase the alignment of their interests with those of shareholders and promote enduring shareholder value. Specifically, our

Chief Executive Officer is required to hold a number of share units equal to five times (5x) his base salary, our directors are required to hold a number of share units equal to five times (5x) their annual base cash retainer, and named executive officers (as that term is defined by the Securities and Exchange Commission) other than the Chief Executive Officer are required to hold a number of share units equal to three times (3x) their base salaries. Until such time as a named executive officer or Chief Executive Officer has attained the applicable share ownership guideline, he or she is expected to retain 100% of the share units awarded to him or her, net of amounts required to pay taxes and exercise prices. Thereafter, the named executive officer or Chief Executive Officer is expected to retain, for a period of at least two (2) years, at least 50% of the total share units with which he or she is credited as a result of equity awards made by CTS subsequent to the date on which the applicable share ownership guideline is attained, net of amounts required to pay taxes and exercise prices. Similar to the named executive officers and Chief Executive Officer, until such time as a director has attained the applicable share ownership guideline, he or she is expected to retain 100% of the share units awarded to him or her. Thereafter, he or she is expected to retain, for a period of at least two (2) years, at least 50% of the total share units with which he or she is credited as a result of equity awards made by CTS subsequent to the date on which the applicable share ownership guideline level is attained; provided, however, that this requirement will terminate upon retirement. The guidelines require that each director, Chief Executive Officer and named executive officer attain the applicable share unit ownership within six years of his or her initial election or appointment.

As part of CTS' commitment to paying for performance and to ensuring that the interests of executives are aligned with those of shareholders, CTS also requires that vice presidents (other than named executive officers) reporting to the Chief Executive Officer hold share units with a value equal to one times (1.0x) annual base salary. This share ownership guideline level will be recalculated whenever the vice president receives an increase in base salary. Until such time as the vice president has attained this share ownership guideline, he or she is expected to retain 50% of the share units awarded to him or her, net of amounts required to pay taxes and exercise prices. Prior to any sale of shares, the vice president must consult with the Chief Executive Officer and General Counsel.

The guidelines are administered by the Compensation Committee. A copy of the guidelines may be obtained free of charge from CTS' website at http://www.ctscorp.com/wp-content/uploads/SOG.pdf.

Director Resignation Policy

The Board of Directors has adopted a director resignation policy, which designates the circumstances under which a director must offer his or her resignation to the Board. Directors are expected to offer to resign from the Board when they change employment or when the major responsibilities they held when they joined the Board change. Such director may not necessarily leave the Board, but this policy provides an opportunity for the Board to review the appropriateness of his or her continued service.

Additionally, any nominee for director in an uncontested election as to whom a majority of the shares of the Company that are outstanding and entitled to vote in such election are designated to be "withheld" from or are voted "against" his or her election shall immediately tender his or her resignation, and the Board will decide, through a process managed by the Nominating and Governance Committee and excluding the nominee in question, whether to accept the resignation at its next regularly scheduled Board meeting. The Board will evaluate the best interests of CTS and its shareholders and may consider any factors it deems relevant in deciding whether to accept a director's resignation.

Finally, the Guidelines require that a director tender his or her resignation effective as of the next occurring Annual Meeting of Shareholders after the date on which he or she reaches the age of 75. The Nominating and Governance Committee may recommend to the full Board that an exception be made to this policy. The Board will evaluate the best interests of CTS and its shareholders and may consider any factors it deems relevant in deciding whether to accept a director's resignation.

Code of Ethics

CTS has adopted a Code of Ethics that applies to all CTS employees, including the principal executive officer, the principal financial officer, the principal accounting officer and/or controller, and all other executive officers and non employee directors. The 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 and reviews any potential conflict of interest involving an executive officer. A copy of the Code of Ethics may be obtained free of charge from the Corporate Secretary upon request or from CTS' website at http://www.ctscorp.com/wp-content/uploads/CE.pdf.

Communications to Directors

Shareholders and other interested parties may address written communications to individual directors, including non management directors, or to the Board, by writing to the Corporate Secretary at CTS' executive offices located at 4925 Indiana Avenue, Lisle, Illinois 60532. All communications from shareholders must include the name and address of the shareholder as it appears on the record books of CTS and the name and address of the beneficial owner, if any, on whose behalf the communication is submitted. The Corporate Secretary will compile such communications and forward them to the directors on a periodic basis. However, the Corporate Secretary has authority to disregard any communication that is primarily an advertisement or solicitation or 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.

STOCK OWNERSHIP INFORMATION

Five Percent Owners of CTS Common Stock

The table below lists information about the persons known by CTS to beneficially own at least 5% of the outstanding shares of CTS common stock as of December 31, 2017, unless a different date is indicated below. There were 32,938,466 shares of CTS common stock issued and outstanding as of December 31, 2017. Except as otherwise noted below, the information below is derived solely from the most recent Schedules 13F or 13G, and amendments thereto, filed with the Securities and Exchange Commission.

NAME AND ADDRESS	NUMBER OF SHARES	PERCENT OF CLASS
BlackRock, Inc.[(1)] 55 East 52nd Street New York, New York 10022	4,175,414	12.7%