CTS CORP
Form DEF 14A
March 30, 2006

Table of Contents

OMB APPROVAL	
OMB Number:	3235-0059
Expires:	February 28, 2006
Estimated average burden hours per response	12.75

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

SCHEDULE 14A

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

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

Check the appropriate box:

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

CTS CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Table of Contents

March 30, 2006

Dear CTS Shareholder:

You are cordially invited to attend the 2006 Annual Meeting of Shareholders of CTS Corporation. The meeting will be held on Wednesday, May 3, 2006, at 9:00 a.m. Pacific Standard Time at Hyatt Westlake Plaza in Thousand Oaks, 880 South Westlake Boulevard, Westlake Village, California 91361-2905.

The official notice of meeting, proxy statement and proxy form are enclosed. These materials were first mailed to shareholders on March 30, 2006. We hope you will attend the meeting in person. Whether you plan to attend the meeting or not, we encourage you to read this proxy statement and vote your shares. The vote of every shareholder is important.

We look forward to seeing you at the meeting.

Donald K. Schwanz
Chairman of the Board,
President and Chief
Executive Officer

TABLE OF CONTENTS

Table of Contents

Notice of Annual Meeting of Shareholders
May 3, 2006

To CTS Shareholders:

The Annual Meeting of Shareholders of CTS Corporation will be held at 9:00 a.m. Pacific Standard Time, Wednesday, May 3, 2006, at Hyatt Westlake Plaza in Thousand Oaks, 880 South Westlake Boulevard, Westlake Village, California 91361-2905.

Only shareholders of record at the close of business on March 17, 2006 may vote at this meeting or any adjournments that may take place. At the meeting, we will:

1. Elect a Board of Directors; and
2. Attend to other business properly presented at the meeting.

Your Board of Directors recommends that you vote in favor of the proposal described in this proxy statement.

By Order of the Board of Directors,

Richard G. Cutter
Secretary

March 30, 2006

Your vote is important.
Please date, sign and mail promptly the enclosed proxy,
which requires no postage if mailed in the United States.

Table of Contents

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS
May 3, 2006

This proxy statement, which was first mailed to shareholders on March 30, 2006, is furnished in connection with the solicitation by the Board of Directors of CTS Corporation of proxies to be voted at the Annual Meeting of Shareholders to be held on Wednesday, May 3, 2006. Following is important information in a question-and-answer format regarding the Annual Meeting and this proxy statement.

Q: What may I vote on?

A: The election of director-nominees to serve on the Board of Directors.

Q: How does the Board recommend I vote?

A: The Board recommends a vote FOR each of the director-nominees identified in this proxy statement.

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

A: Although we do not know of any business to be considered at the 2006 Annual Meeting other than as described in this proxy statement, if any other business is properly presented at the Annual Meeting, your signed proxy card gives authority to Donald K. Schwanz, CTS Chairman, President and Chief Executive Officer, and Richard G. Cutter, CTS Vice President, General Counsel and Secretary, to vote on those matters at their discretion.

Q: How many votes are needed for approval of each item?

A: Assuming that at least a majority of shares are present, either in person or by proxy, at the Annual Meeting, the nine director-nominees receiving the most votes will be elected. Only votes cast for a nominee will be counted. Your proxy will be voted for the nine director-nominees unless it contains contrary instructions. Abstentions, broker non-votes and instructions on your proxy to withhold authority to vote for one or more of the nominees will result in those nominees receiving fewer votes.

Q: Who is entitled to vote?

A: Shareholders as of the close of business on March 17, 2006, (the Record Date) are entitled to vote at the Annual Meeting. As of the Record Date, 35,881,265 shares of CTS common stock were issued and outstanding. Every shareholder of common stock is entitled to one vote for each share of common stock held on the Record Date.

Q: How do I vote?

A: Please sign and date each proxy card you receive and return it at your earliest convenience in the prepaid envelope provided. If you return your signed proxy card but do not mark the boxes showing how you wish to vote, your shares will be voted FOR each of the nominees. If you returned your proxy card, you have the right to revoke your proxy or change your vote at any time before the meeting by notifying CTS Secretary, returning a later-dated proxy card, or voting in person at the meeting.

Table of Contents

Q: How can I vote shares of stock that I hold under the CTS Corporation Retirement Savings Plan (the 401(k) Plan)?

A: JP Morgan Chase Bank, the 401(k) Plan Trustee (the Trustee), will vote the shares in your account according to your instructions. Follow the same procedures described above for voting shares. If you return your signed proxy card but do not mark the boxes showing how you wish to vote, your shares will be voted FOR each of the nominees. You may also change your instructions on how to vote your shares in the manner described above. You may give instructions or change instructions to the Trustee on how to vote your shares up until April 27, 2006. On that date, your instructions will be transmitted to the Trustee and cannot be changed. If you do not instruct the Trustee on how to vote your shares, the Trustee will vote your shares in the same proportion as the shares properly voted by other participants who hold shares under the 401(k) Plan.

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

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

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

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

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

A: Under the Securities and Exchange Commission s householding rules, a company or broker who provides notice may deliver a single copy of the proxy statement and annual report to shareholders who share an address unless a shareholder submits contrary instructions. If you would prefer to receive separate copies of these documents in the future, you may notify your broker, you may direct a written or oral request to CTS Corporation, Investor Relations, 905 West Boulevard North, Elkhart, Indiana 46514, (574) 293-7511 or you may send an e-mail to shareholder.services@ctscorp.com. If your household is currently receiving multiple copies of the proxy statement and annual report to shareholders and you would prefer to receive only a single copy in the future, you may notify your broker or direct a request to the address, phone number or e-mail address immediately above.

Q: How may a shareholder nominate a candidate for election to the Board at CTS Annual Meeting of Shareholders?

A: Director candidates for 2007 may be nominated by shareholders by sending a notice to CTS which must be received no earlier than December 19, 2006, and no later than February 2, 2007. 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 Secretary upon request or from CTS website at http://www.ctscorp.com/governance /bylaws.htm. In addition, in order to be included in next year s proxy statement, nominations must be submitted in writing and received by CTS Secretary at CTS Corporate Office no later than November 30, 2006.

Q: When are shareholder proposals for the 2007 Annual Meeting due?

A: All shareholder proposals to be considered for inclusion in next year s proxy statement must be submitted in writing and received by the Secretary of CTS at CTS Corporate Office no later than November 30, 2006. In addition, CTS advance notice bylaw provisions require that in order to be

3

Table of Contents

presented at the 2007 Annual Meeting, any shareholder proposal, including the nomination of a candidate for director, must have been submitted in writing to CTS Secretary at CTS Corporate Office no earlier than December 19, 2006, and no later than February 2, 2007. Certain information is required to be included with shareholder proposals. This information is described in CTS bylaws, which are located on CTS website at http://www.ctscorp.com/governance/bylaws.htm. A copy of the bylaws may be obtained free of charge from CTS Secretary.

PROPOSAL YOU MAY VOTE ON

ELECTION OF DIRECTORS

There are nine nominees for election. Detailed information on each is provided on pages 4, 5 and 6. All directors are elected annually and serve a one-year term.

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

ELECTION OF DIRECTORS

CTS Articles of Incorporation provide that the number of directors will be between three and fifteen, as fixed from time to time by the Board of Directors. The CTS Board of Directors has established the current number of authorized directors at nine. All directors are elected to one-year terms or until their successors are elected and qualified.

Nominees For The Board of Directors. Each of the nominees named below is currently a director of CTS. The ages shown are as of the scheduled date for the 2006 Annual Meeting of Shareholders. Each of the nominees has agreed to serve as a director if elected by the shareholders. If one or more of the nominees unexpectedly becomes unavailable for election, the votes will be cast, pursuant to authority granted by the proxy, for such person or persons as may be designated by the present Board of Directors, or the authorized number of directors may be reduced accordingly.

WALTER S. CATLOW Director since 1999

Age 61

Mr. Catlow served as President of Ameritech Cellular Services, a wireless communications service provider, from 1998 until his retirement in 2000. Mr. Catlow previously served as Executive Vice President of Ameritech and as President of Ameritech International, Inc., where he directed Ameritech s international investments and was responsible for global acquisitions and alliances. In 2005, Mr. Catlow was a member of the Audit Committee of CTS Corporation.

LAWRENCE J. CIANCIA Director since 1990

Age 63

Mr. Ciancia is a partner in Corporate Development International, Inc., a corporate search firm specializing in mergers, acquisitions and divestitures. He has served in this capacity since 1998. Previously, he served as President of Uponor ETI, a supplier of PVC pipe products, specialty chemicals and PVC compounds. In 2005, Mr. Ciancia was a member of the Audit Committee and Chairman of the Nominating and Governance Committee of CTS Corporation.

4

Table of Contents

THOMAS G. CODY Director since 1998

Age 64

Mr. Cody has served as Vice Chairman of Federated Department Stores, Inc., a nationwide department store retailer, since February 2003. Prior to assuming this position, he served as Executive Vice President, Legal and Human Resources of Federated Department Stores, Inc. since 1992. Mr. Cody also serves as a director of LCA-Vision, Inc. In 2005, Mr. Cody was Chairman of the Compensation Committee and a member of the Nominating and Governance Committee of CTS Corporation.

GERALD H. FRIELING, JR. Director since 1982

Age 76

Mr. Frieling has served as President of Frieling & Associates, a business consulting firm, since 1993. Previously, Mr. Frieling served as Chairman of the Board, CEO and Vice Chairman of the Board of Tokheim Corporation, a manufacturer of electronic and mechanical petroleum marketing systems. Mr. Frieling also serves as a director of Mossberg & Company. In 2005, Mr. Frieling was a member of the Finance Committee, Audit Committee and Nominating and Governance Committee of CTS Corporation.

ROGER R. HEMMINGHAUS Director since 2000

Age 69

Mr. Hemminghaus is the retired Chairman and Chief Executive Officer of Ultramar Diamond Shamrock Corporation, a company that refined and marketed petroleum products on a retail and wholesale basis, serving from 1996 until 2000. Mr. Hemminghaus served as Chairman and Chief Executive Officer of Ultramar Diamond Shamrock, Inc. from 1996 until 1999. Mr. Hemminghaus is a past Chairman of the Federal Reserve Bank of Dallas. Mr. Hemminghaus also serves as a Director of Tandy Brand Accessories, Inc. and Xcel Energy, Inc. In 2005, Mr. Hemminghaus was a member of the Compensation Committee and Chairman of the Finance Committee of CTS Corporation.

MICHAEL A. HENNING Director since 2000

Age 66

Mr. Henning served as Deputy Chairman of Ernst & Young LLP from 1999 to 2000. Previously, he served as Chief Executive Officer of Ernst & Young International, Inc. from 1993 until 1999. Mr. Henning also serves as a Director of Omnicom Group, Inc. In 2005, Mr. Henning was a member of the Finance Committee and Chairman of the Audit Committee of CTS Corporation.

ROBERT A. PROFUSEK Director since 1998

Age 56

Mr. Profusek is a partner in Jones Day, a global law firm. Mr. Profusek has been a Jones Day lawyer since 1975, except for May 2000 through August 2002 during which time he served as Executive Vice President of Omnicom Group, Inc., a global communications company. Mr. Profusek also serves as a Director of Valero Energy Corporation. In 2005, Mr. Profusek was a member of the Compensation Committee and the Finance Committee of CTS Corporation.

DONALD K. SCHWANZ Director since 2001

Age 62

Donald K. Schwanz is Chairman of the Board, President and Chief Executive Officer of CTS. Mr. Schwanz was named Chief Executive Officer effective October 1, 2001 and was appointed Chairman of the Board of Directors on January 1, 2002. In January 2001, Mr. Schwanz was elected President and Chief Operating Officer of CTS. Prior to joining CTS in January 2001, he was President of the Industrial Control Business at Honeywell, Inc., an aerospace company, since 1999, and previously was President of Honeywell s Space and Aviation Business.

PATRICIA K. VINCENT Director since 2003

Age 47

Ms. Vincent is President and Chief Executive Officer of Public Service Company of Colorado, an Xcel Energy subsidiary, a utility company serving electricity and natural gas customers. She has served in this capacity since November 2005. Prior to assuming this position, she had served as President of Customer and Field Operations of Xcel Energy from July of 2003 and as President of the Retail Services Group of Xcel Energy since March 2001, and as Vice President of Marketing and Sales of Xcel Energy from August 2000 to March 2001. Previously, she was Vice President of Marketing and Sales of NCE from January 1999 to August 2000. In 2005, Ms. Vincent was a member of the Compensation Committee and the Nominating and Governance Committee.

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

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires CTS directors, executive officers and certain persons who beneficially own more than 10% of CTS common stock to file with the Securities and Exchange Commission and the New York Stock Exchange initial reports of ownership and reports of changes in ownership of CTS common stock. Executive officers, directors and greater than 10% shareholders are required to furnish CTS with copies of all Section 16(a) reports they file.

CTS Corporation prepares and files Section 16(a) reports on behalf of directors and executive officers. Due to an administrative error, reports on Form 4 disclosing that shares were deducted from awards to Donald R. Schroeder and H. Tyler Buchanan, executive officers, to satisfy taxes due upon vesting and distribution of restricted stock units were not filed until January 17, 2006. Those awards vested and were distributed on December 9, 2005.

Based solely on written representations from directors and executive officers and on our review of Section 16(a) reports provided by directors and executive officers, CTS believes that all other required Section 16(a) filings were completed in a timely manner with respect to 2005.

CERTAIN BUSINESS RELATIONSHIPS

Jones Day is a law firm which CTS has retained for specific legal services, on a case-by-case basis, for over ten years. The fees paid by CTS to Jones Day during 2005 were substantially less than .1% of Jones Day s gross revenues for 2005. Mr. Profusek, a director standing for re-election, is a partner in Jones Day. Mr. Profusek satisfies the independent director criteria under the New York Stock Exchange Corporate Governance Listing Standards and the CTS Corporation Corporate Governance Guidelines.

COMMITTEES OF THE BOARD

Compensation Committee

The Compensation Committee is a standing committee of the Board of Directors. Directors Cody, Hemminghaus, Profusek and Vincent are the current members of the Compensation Committee. Each member of the Committee is an independent director as defined by the New York Stock Exchange Corporate Governance Listing Standards and the CTS Corporation Corporate Governance Guidelines. The Committee held five meetings in 2005. A copy of the Compensation Committee Charter may be obtained free of charge from the CTS Secretary upon request or from CTS website at http://www.ctscorp.com/governance/compensationcharter.htm.

The Committee establishes executive compensation policies and reviews and approves senior executive salaries, incentive opportunity levels and employment agreements. The Committee reviews and approves corporate goals and objectives relevant to the CEO s compensation, evaluates the CEO s performance against those objectives and makes recommendations to the Board of Directors regarding CEO compensation. The Committee administers the CTS Corporation Management Incentive Plan and the CTS Corporation 2004 Omnibus Long-Term Incentive Plan.

Finance Committee

The Finance Committee is a standing committee of the Board of Directors. Directors Frieling, Hemminghaus, Henning and Profusek are the current members of the Finance Committee. The Committee held three meetings in 2005. A copy of the Finance Committee Charter may be obtained free of charge from the CTS Secretary upon request or from CTS website at http://www.ctscorp.com/governance/financecharter.htm.

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

Nominating and Governance Committee

The Nominating and Governance Committee is a standing committee of the Board of Directors. Directors Cody, Ciancia, Frieling and Vincent are the current members of the Committee. Each member of the Committee is an independent director as defined by the New York Stock Exchange Corporate Governance Listing Standards and the CTS Corporation Corporate Governance Guidelines. The Committee held four meetings in 2005. A copy of the Nominating and Governance Committee Charter may be obtained free of charge from the CTS Secretary upon request or from CTS website at http://www.ctscorp.com/governance/governancecharter.htm.

The Committee reviews and makes recommendations to the Board concerning the CTS Corporation Corporate Governance Guidelines and matters of corporate governance. The Committee recommends candidates for membership on the Board. CTS bylaws describe the process for nominating a candidate for election to the Board of Directors at the Annual Meeting of Shareholders. CTS bylaws are located on CTS website at http://www.ctscorp.com/governance/bylaws.htm. A copy of the bylaws may be obtained free of charge from the CTS Secretary. CTS does not have a formal policy concerning whether the Committee will consider director candidates recommended by shareholders. CTS did not receive any requests for the Committee to consider any director candidate at the Annual Meeting. At this time, the Board of Directors does not believe a formal policy is necessary, because CTS bylaws provide a process for nomination of directors and no shareholder nominations for director have been received in past years.

The Committee reviews with the Board, on an annual basis, the requisite skills and director characteristics of new Board 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 consideration of the diversity, age, skills and experience of the directors in the context of the needs of the Board. Although the Committee has not established any specific minimum criteria or qualifications that a candidate must possess, the Committee seeks candidates who possess the experience necessary to make a valuable contribution to the Board. The Committee may retain search firms for the purpose of identifying and evaluating director candidates, but does not currently have any firm on retainer. The Committee considers director candidates identified by management and by non-management directors.

Table of Contents

The Nominating and Governance Committee charter provides that it is responsible for reviewing and making recommendations to the Board concerning CEO succession planning. In 2005, the Committee delegated this authority to an ad hoc Leadership Continuity Committee of the Board which has responsibility for assisting the Board in overseeing management s implementation of an overall Management Development and Succession process for executive officers, as well as responsibility for leading the Board in the CEO succession planning process.

Audit Committee

The Audit Committee is a standing committee of the Board of Directors. Directors Catlow, Ciancia, Frieling and Henning are the current members of the Audit Committee. Each member of the Committee is financially literate and meets the independence standards applicable to audit committee members under the New York Stock Exchange Corporate Governance Listing Standards, as well as the CTS Corporation Corporate Governance Guidelines and the Audit Committee Charter. Mr. Henning qualifies as an audit committee financial expert under the criteria set forth in Item 401(h) of Regulation S-K. The Audit Committee held nine meetings in 2005. A copy of the Audit Committee Charter may be obtained free of charge from CTS Secretary upon request or from the CTS website at http://www.ctscorp.com/governance/auditcharter.htm, and is attached hereto as Exhibit A.

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

FURTHER INFORMATION CONCERNING THE BOARD OF DIRECTORS

During 2005, the Board of Directors had seven meetings. In 2005, all of the directors attended 100% of the meetings of the Board of Directors and the committees of which they were members. It is the policy of the Board of the Directors that each director endeavor to attend the annual meeting of shareholders, unless exigent circumstances arise. Each of the directors standing for re-election at the 2005 Annual Meeting attended the meeting.

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

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

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

Table of Contents

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

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

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

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

Does not presently receive any direct or material indirect compensation from the corporation other than the standard directors compensation package;

Has not received more than $100,000 per year in direct compensation from the company, excluding the standard director s compensation package, during the past five years;

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

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

A copy of the Corporate Governance Guidelines may be obtained free of charge from the CTS Secretary upon request or from CTS website at http://www.ctscorp.com/governance/ guidelines.htm.

The CTS Corporate Governance Guidelines encourage all directors to participate in director continuing education programs. The corporation 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 no less frequently than annually.

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

CTS has adopted a Code of Ethics that applies to all of its employees, including its principal executive officer, principal financial officer and principal accounting officer or controller. A copy of the CTS Code of Ethics may be obtained free of charge from CTS Secretary upon request or from CTS website at http://www.ctscorp.com/governance/code_of_ethics.htm.

It is the policy of the Board of Directors to hold an executive session of non-management directors at each regular scheduled Board of Directors meeting. Chairmanship of the executive sessions is rotated among all non-management directors on an alphabetical basis.

Shareholders may address written communications to individual directors, including non-management directors, or to the Board of Directors as a whole, in care of CTS Secretary at CTS Corporate Office, 905 West Boulevard North, Elkhart, Indiana, 46514. Such communications must include the name and address of the shareholder, as they appear 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 Secretary will compile such communications and forward them to the directors on a periodic basis. However, the Secretary has

Table of Contents

authority to disregard any communication which is primarily an advertisement or solicitation or which is threatening, obscene or similarly inappropriate in nature. Communications that have been disregarded for these reasons may be reviewed by any non-management director upon request.

DIRECTOR COMPENSATION

Employee directors receive no additional compensation for serving on the Board of Directors or Board Committees. Non-employee directors receive the following fees for their service on the Board: annual board retainer $25,000; annual retainer for each Audit Committee member $5,000; annual retainer for each Finance, Nominating and Governance and Compensation Committee member $3,000; additional annual retainer for Audit Committee Chairman $5,000; additional annual retainer for Compensation Committee Chairman $4,000; additional annual retainer for Finance and Nominating and Governance Chairman $3,000; meeting fee for each Board or Committee Meeting $1,500. All committee meetings, including special meetings called by committee chairmen, are compensated at the regular meeting fee rate. Special activity by the committee chairmen, as well as any special activity by another committee member that is requested or approved by a committee chairman, is also compensated at the regular meeting fee rate. Non-employee directors are reimbursed by the corporation for reasonable travel expenses related to their performance of services and for director education programs. CTS established an ad hoc Leadership Continuity Committee in 2005. The annual retainer for each member is $4,000 and the additional annual retainer for the chairman is $4,000.

In 1990, CTS adopted the Stock Retirement Plan for Non-Employee Directors. Under that plan, a deferred stock unit account was established for each non-employee director. Through January 2004, 800 common stock units and additional units representing dividends on CTS common stock paid were credited annually to each non-employee director s account. When a non-employee director retires from the Board, he or she receives one share of CTS common stock for each deferred stock unit credited to his or her account. On December 1, 2004, the Board of Directors amended the plan to preclude crediting any additional units to the deferred stock unit accounts. On December 1, 2004, each non-employee director received a grant of restricted stock units under the CTS Corporation 2004 Omnibus Long-Term Incentive Plan equivalent to the number of deferred stock units which would have been credited to the director for 2004 service under the Stock Retirement Plan for Non-Employee Directors. Under the terms of this award, each non-employee director will receive one share of CTS common stock for each restricted stock unit upon retirement from the Board.

In 2002, the Board established a $30,000 annual stock-based compensation target for each non-employee director. For 2006, the stock-based compensation target was achieved by awarding each non-employee director 2,500 restricted stock units under the CTS Corporation 2004 Omnibus Long-Term Incentive Plan. The awards were granted on December 7, 2005 and became distributable on January 10, 2006 absent a deferral election by the non-employee director. Upon distribution, one share of CTS common stock for each restricted stock unit is transferred to the non-employee director.

Table of Contents

STOCK OWNERSHIP INFORMATION

Five Percent Owners of Common Stock. The table below lists information about the persons known by CTS to beneficially own at least 5% of CTS common stock as of March 17, 2006. This information is derived solely from the most recent Schedules 13G and Form 13F-HR filed by these persons with the Securities and Exchange Commission.

Name and Address	Number of Shares	Percent of Class
GAMCO Investors, Inc.(1) One Corporate Center Rye, New York 10580-1435	3,297,770	9.2%
Dimensional Fund Advisors, Inc.(2) 1299 Ocean Avenue 11th Floor Santa Monica, California 90401	3,156,100	8.8%
FMR Corp.(3) 82 Devonshire Street Boston, Massachusetts 02109	2,220,000	6.2%
Columbia Wanger Asset Management L.P. et al.(4) 227 West Monroe Street Suite 3000 Chicago, Illinois 60606	2,102,000	5.9%
Barclays Global Investors, N.A. et al.(5) 45 Fremont Street San Francisco, California 94105	2,009,401	5.6%

(1) As reported in the Form 13F-HR filed February 13, 2006, Gabelli Funds LLC has sole power to vote and dispose of 525,000 shares; GAMCO Investors, Inc. has sole power to vote 2,440,070 shares and sole power to dispose of 2,772,770 shares.

(2) As reported in the Schedule 13G/A filed February 6, 2006, Dimensional Fund Advisors, Inc. has sole power to vote and dispose of the shares.

(3) As reported in the Schedule 13G/A filed February 14, 2006, FMR Corp. and Edward C. Johnson 3d each has sole power to dispose of the shares.

(4) As reported in the Schedule 13G filed February 14, 2006, Columbia Wanger Asset Management, L.P. has shared power to vote and shared power to dispose of the shares.

(5) As reported in the Schedule 13G filed January 26, 2006, Barclays Global Fund Advisors has sole power to vote and dispose of 890,815 shares and Barclays Global Investors, N.A. has sole power to vote 906,261 shares and sole power to dispose of 1,118,586 shares.

Directors and Officers Stock Ownership. The following table shows how much CTS common stock each Named Executive Officer, as identified in footnote(1) to the Summary Compensation Table set forth under Executive Compensation, and each director-nominee beneficially owned as of March 17, 2006, including shares covered by stock options exercisable within 60 days of March 17, 2006. Please note that, as reported in this table, beneficial ownership includes those shares a director or officer has the power to vote or transfer, as well as shares owned by immediate family members that reside in the same household with the director or officer. The shares shown as beneficially owned by all current directors and officers do not include 1,458,900 shares held by the Northern Trust Company as Trustee of the CTS Corporation Employee Benefit Plans Master Trust. The CTS Corporation Employee Benefit Plan Investment Committee has voting and investment authority over those shares. James L. Cummins and another executive officer are members of that committee.

Table of Contents

Name	Shares Beneficially Owned	Options Exercisable Within 60 Days	Shares Held in 401(k) Plan	Directors Deferred Common Stock Units	Total	% of Shares Outstanding
H. Tyler Buchanan	22,867	42,000	10,086	0	74,953	*
Walter S. Catlow	7,639(1)	10,000	0	4,098	21,737	*
Lawrence J. Ciancia	8,756(1)	10,000	0	16,365	35,121	*
Thomas G. Cody	6,645(1)	10,000	0	4,722	21,367	*
James L. Cummins	79,745(2)	29,200	902	0	109,847	*
Gerald H. Frieling, Jr.	11,783(1)	10,000	0	19,020	40,803	*
Roger R. Hemminghaus	9,632(1)	10,000	0	3,267	22,899	*
Michael A. Henning	6,631(1)	10,000	0	3,267	19,898	*
Vinod M. Khilnani	22,825	45,775	1,580	0	70,180	*
Robert A. Profusek	8,445(1)(3)	10,000	0	4,722	23,167	*
Donald R. Schroeder	65,857	39,025	41,124	0	146,006	*
Donald K. Schwanz	28,752	275,250	0	0	304,002	*
Patricia K. Vincent	5,607(1)	1,600	0	800	8,007	*
All Current Directors and Officers as a Group (17 persons)	304,249	550,250	59,722	56,261	970,482	2.7%

* Less than 1%.

(1) Includes restricted stock units that are distributable upon the director s separation from service and convert on a one-to-one basis to shares of CTS common stock upon distribution.

(2) Includes 1,800 shares held by Mr. Cummins sons and 1,863 shares held by Mr. Cummins spouse in the 401(k) plan. Mr. Cummins disclaims any beneficial interest with respect to these shares.

(3) Includes 1,800 shares held by Mr. Profusek s daughter. Mr. Profusek disclaims any beneficial interest with respect to these shares.

Table of Contents

EXECUTIVE COMPENSATION
Summary Compensation Table

Name and Principal Position (1)	Year	Annual Compensation Salary ($)	Bonus ($)	Other Annual Compensation ($)(2)	Long-Term Compensation Restricted Stock Award(s)(3)(4) ($)	Securities Underlying Options (#)	All Other Compensation(5) ($)
Donald K. Schwanz	2005	$ 747,221	$ 364,270	$ 93,887	$ 499,950	50,000	$ 13,824
Chairman, President	2004	$ 693,477	$ 658,905	$ 89,010	$ 452,640	37,000	$ 13,524
and Chief Executive Officer	2003	$ 651,538	$ 534,947	$ 86,170	$ 97,800	72,000	$ 10,902
Vinod M. Khilnani	2005	$ 336,372	$ 113,526	$ 62,842	$ 522,340	22,000	$ 6,300
Senior Vice President and	2004	$ 306,585	$ 201,670	$ 61,280	$ 198,720	17,500	$ 6,000
Chief Financial Officer	2003	$ 286,846	$ 163,049	$ 38,850	$ 90,360	20,000	$ 6,000
Donald R. Schroeder	2005	$ 306,388	$ 20,681	$ 121,356	$ 188,870	20,000	$ 10,526
Executive Vice President	2004	$ 284,423	$ 153,513	$ 56,140	$ 215,280	10,500	$ 10,056
and President of CTS Electronics Manufacturing Solutions	2003	$ 272,269	$ 77,367	$ 33,955	$ 58,680	18,000	$ 10,902
H. Tyler Buchanan	2005	$ 244,779	$ 78,038	$ 56,779	$ 155,540	8,000	$ 8,922
Senior Vice President	2004	$ 227,885	$ 101,614	$ 54,198	$ 176,640	8,000	$ 8,622
	2003	$ 222,808	$ 25,330	$ 40,831	$ 58,680	18,000	$ 8,622
James L. Cummins	2005	$ 236,652	$ 79,870	$ 46,342	$ 144,430	9,700	$ 8,646
Senior Vice President	2004	$ 220,508	$ 145,049	$ 50,984	$ 143,520	7,200	$ 7,710
Administration	2003	$ 210,486	$ 119,645	$ 33,628	$ 48,900	14,500	$ 7,710

(1) The persons named in this table are referred to as the Named Executive Officers.

(2) The components of this column are as follows:

Officer	Year	Personal Use of Company Plane	Financial Planning	Cash Perquisite Allowance	Temporary Living Allowance	Use and Purchase of Company Car*	Tax Preparation	Restricted Stock Cash Bonus**	Executive Physical
Mr. Schwanz	2005	$ 2,442	$ 12,000	$ 16,400			$ 3,360	$ 54,264	$ 5,421
	2004	$ 2,408	$ 12,000	$ 15,600			$ 2,690	$ 56,312	

	2003	$ 3,832	$ 12,000	$ 15,600		$ 20,875	$ 1,950	$ 26,130	$ 5,783
Mr. Khilnani	2005			$ 15,200				$ 47,642	
	2004			$ 14,400				$ 46,880	
	2003			$ 14,400				$ 22,500	$ 1,950
Mr. Schroeder	2005		$ 5,400	$ 15,200	$ 69,700		$ 4,060	$ 26,996	
	2004		$ 5,400	$ 14,400			$ 1,760	$ 34,580	
	2003	$ 111	$ 4,800	$ 10,800		$ 4,335	$ 1,400	$ 12,509	
Mr. Buchanan	2005		$ 4,800	$ 15,200			$ 875	$ 35,904	
	2004		$ 4,800	$ 14,400			$ 950	$ 34,048	
	2003		$ 3,375	$ 14,400			$ 950	$ 22,106	
Mr. Cummins	2005		$ 4,800	$ 15,200			$ 2,975	$ 22,526	$ 841
	2004		$ 4,800	$ 14,400			$ 1,760	$ 30,024	
	2003		$ 4,500	$ 14,400			$ 1,820	$ 10,199	$ 2,709

* For Mr. Schwanz in 2003, this amount reflects $2,299 for personal use of a company car and $18,576, which represents the difference between the CTS book value and the Kelly Blue Book private party value of the car that Mr. Schwanz purchased from CTS. For Mr. Schroeder in 2003, this amount reflects $1,092 for personal use of a company car and $3,243, which represents the difference between the CTS book value and the Kelly Blue Book private party value of the car that Mr. Schroeder purchased from CTS.

** Represents cash payments in connection with the lapse of transfer restrictions on restricted shares.

(3) The amounts shown in this column for 2005 and 2004 reflect grants of restricted stock units. Except as noted below, these restricted stock unit awards vest in installments of 20% per year beginning on the first anniversary of the grant and one share of CTS common stock for each restricted stock unit is

Table of Contents

distributed to the grantee upon vesting. The grantee does not receive dividends on restricted stock units.

In 2005, Named Executive Officers received the following numbers of restricted stock units: Donald K. Schwanz, 45,000 restricted stock units; Vinod M. Khilnani, 19,000 restricted stock units and 25,000 restricted stock units; Donald R. Schroeder, 17,000 restricted stock units; H. Tyler Buchanan, 14,000 restricted stock units; and James L. Cummins, 13,000 restricted stock units. Mr. Schwanz s award will vest in installments of 20%, 20% and 60% on June 8, 2006, June 8, 2007 and December 30, 2007. His award will be distributed in installments of 20% per year beginning on the first anniversary of the grant. Mr. Khilnani s award of 25,000 restricted stock units will vest and be distributed in its entirety on the fourth anniversary of the grant date. At December 31, 2005, no portion of the restricted stock unit awards described above had vested, and the net values of those restricted stock units were as follows: Donald K. Schwanz, $497,700; Vinod M. Khilnani, $210,140 and $276,500; Donald R. Schroeder, $188,020; H. Tyler Buchanan, $154,840; and James L. Cummins, $143,780.

In 2004, Named Executive Officers received the following numbers of restricted stock units: Donald K. Schwanz, 41,000 restricted stock units; Vinod M. Khilnani, 18,000 restricted stock units; Donald R. Schroeder, 3,500 restricted stock units and 16,000 restricted stock units; H. Tyler Buchanan, 2,000 restricted stock units and 14,000 restricted stock units; and James L. Cummins, 13,000 restricted stock units. At December 31, 2005, the net values of the non-vested portion of the restricted stock unit awards described immediately above were as follows: Donald K. Schwanz, $362,768; Vinod M. Khilnani, $159,264; Donald R. Schroeder, $141,568; H. Tyler Buchanan, $123,872; and James L. Cummins, $115,024.

(4) The amounts shown in this column for 2003 reflect grants of the following numbers of shares: Donald K. Schwanz, 10,000 shares; Vinod M. Khilnani, 3,000 shares and 7,000 shares; Donald R. Schroeder, 6,000 shares; H. Tyler Buchanan, 6,000 shares; and James L. Cummins, 5,000 shares. Restricted stock awards vest in installments of 20% per year beginning on the first anniversary of the grant. Dividends are paid on restricted stock at the same rate applicable to unrestricted shares. At December 31, 2005, the number and net value of restricted shares held by Named Executive Officers on which transfer restrictions had not lapsed were as follows: Donald K. Schwanz, 10,200, $112,812; Vinod M. Khilnani, 9,200, $101,752; Donald R. Schroeder 5,766, $63,772; H. Tyler Buchanan 6,200, $68,572; and James L. Cummins 4,766, $52,712.

(5) The components of this column for 2005 are as follows: Donald K. Schwanz, $6,300 CTS match under 401(k) Plan, $7,524 imputed income on term life insurance; Vinod M. Khilnani, $6,300 CTS match under 401(k) Plan; Donald R. Schroeder, $6,300 CTS match under 401(k) Plan, $4,226 imputed income on term life insurance; H. Tyler Buchanan, $6,300 CTS match under 401(k) Plan, $2,622 imputed income on term life insurance; and James L. Cummins, $6,300 CTS match under 401(k) Plan, $2,346 imputed income on term life insurance.

Employment Agreement with Donald K. Schwanz. Mr. Schwanz has an employment agreement with CTS which provides that for five years beginning on October 1, 2001 (the Term), Mr. Schwanz will be employed by CTS as President and Chief Executive Officer, at an initial annual salary of $630,000. During the Term of the agreement, if Mr. Schwanz s employment is terminated as a result of his death or disability, for good reason (as defined in the agreement) or by CTS without cause (as defined in the agreement), Mr. Schwanz will receive severance benefits equal to his then current annual salary for the remainder of the Term, plus an annual bonus for each year remaining in the Term equal to the largest cash and stock bonus that he received for any year during the Term, but no less than $330,000. In addition, if Mr. Schwanz s employment is terminated by Mr. Schwanz for good reason or by CTS without cause, Mr. Schwanz may instead receive a lump sum equal to $3^1/3$ times the sum of his then current annual salary and the largest cash and stock bonus that he received for any year during the Term, but no less than $330,000. Any payments to Mr. Schwanz upon a change in control are increased to compensate Mr. Schwanz for any excise tax payable by him pursuant to Section 280G of the Internal Revenue Code of 1986, as amended (the Code). The payments and benefits to Mr. Schwanz under his employment

agreement are reduced automatically by any corresponding payments or benefits under his severance agreement described below.

Mr. Schwanz s employment agreement also provides for an enhanced pension benefit under which for every year of service he accrues after June 30, 2002, an extra year will be credited to him for pension calculation purposes.

Employment Agreement with Vinod M. Khilnani. On October 4, 2005, CTS entered into an employment agreement with Mr. Khilnani. The term of the agreement is four years. The agreement provides that if CTS terminates Mr. Khilnani s employment without cause (as defined in the agreement) within two years after the time a successor CEO to Mr. Schwanz is appointed, CTS will provide Mr. Khilnani with compensation, equal to his current base salary and his target incentive compensation for the calendar year prior to termination, for a period of two years following his termination date. Termination of his employment under any other circumstances, including death, disability, voluntary termination or termination by CTS for cause (as defined in the agreement), will terminate the employment agreement without the payment of benefits under this employment agreement. In the event Mr. Khilnani is eligible to receive greater benefits under another agreement or policy, he may elect to receive such benefits in lieu of benefits under his employment agreement. Benefits received under the employment agreement will be reduced by any benefits received under another agreement or policy.

Change in Control Severance Agreements. Each of the active Named Executive Officers has executed a severance agreement with CTS, which becomes operative only upon a change in control of CTS. Severance benefits are provided if within three years of a change in control, a covered executive terminates his employment for good reason (as defined in the agreement) or his employment is terminated for any reason other than cause (as defined in the agreement), disability or death. Severance benefits include: (i) a lump sum equal to three times the sum of the greater of base salary at the time of the change in control or average base salary over the three years prior to termination plus the greater of average incentive pay over the three years prior to the change in control or target incentive pay for the year in which the change in control occurred; (ii) continued participation for 36 months following termination in welfare benefit plans and similar benefit programs; (iii) a lump sum payment equal to the increase in actuarial value of the benefits under CTS qualified and supplemental retirement plans that the executive would have received had he remained employed; (iv) a lump sum payment ($105,000 for Mr. Schwanz and $67,500 for the other Named Executive Officers) in lieu of any perquisites the executive would otherwise have been provided; (v) outplacement services; (vi) reimbursement of legal, tax and estate planning expense related to the severance agreement; (vii) reimbursement of relocation expenses incurred during the 36 month period following termination; (viii) a lump sum payment equal to target incentive pay for the year in which the termination occurs, prorated based on actual service during the year; and (ix) accelerated vesting, exercise rights and lapse of restrictions on equity based compensation awards. In addition, if any payments made to a covered executive are subject to excise tax under Section 4999 of the Code, CTS will make an additional payment to put the executive in the same after-tax position as if no excise tax had been imposed. In September 2005, CTS notified each of the Named Executive Officers that his severance agreement would not automatically renew on January 1, 2006. Therefore, each agreement will expire on December 31, 2007.

STOCK OPTIONS

The following table reflects information about stock options awarded to the Named Executive Officers in 2005. These stock options are exercisable in four substantially equal annual installments commencing on June 8, 2006, in accordance with the terms set forth in the stock option agreements, over a term of ten years. Upon termination of employment due to death or total and permanent disability, the option would continue to vest on its schedule and would be exercisable for one year following the termination date. Upon termination of employment due to qualified retirement (as defined in the stock option agreements), the option would continue to vest on its schedule and would be exercisable through the end of the option term.

Table of Contents

Upon termination of employment for any other reason, the option would be exercisable within the three month period following the termination date, but only to the extent vested as of the termination date.

Option Grants in Last Fiscal Year

	Individual Grants				Potential Realizable Value at Assumed Annual Rates Of Stock Price Appreciation for Option Term (1)	
Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees In 2005	Exercise Price ($)/ Share	Expiration Date	5%	10%
Donald K. Schwanz	50,000	36.6%	$ 11.11	6-7-2015	$ 349,351	$ 885,324
Vinod M. Khilnani	22,000	16.1%	$ 11.11	6-7-2015	$ 153,714	$ 389,543
Donald R. Schroeder	20,000	14.6%	$ 11.11	6-7-2015	$ 139,740	$ 354,130
H. Tyler Buchanan	8,000	5.9%	$ 11.11	6-7-2015	$ 55,896	$ 141,652
James L. Cummins	9,700	7.1%	$ 11.11	6-7-2015	$ 67,774	$ 171,753

(1) Potential realizable value is determined by assuming an initial value equal to the option price per share, the market closing price for CTS common stock on the date of grant, and applying the stated annual appreciation rate compounded annually for the remaining term of the option, subtracting the exercise price and multiplying the remainder by the number of shares subject to options granted. Actual gains, if any, on stock option exercises are dependent on the future performance of the common stock and overall stock market conditions.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES

			Number of Securities Underlying Unexercised Options at Fiscal Year-End (#)		Value of Unexercised In-the-Money Options at Fiscal Year-End ($)	
Name	Shares Acquired On Exercise (#)	Value Realized ($)	Exercisable	Unexercisable	Exercisable	Unexercisable
	0	0	275,250	128,750	$ 197,465	$ 97,035

Donald K. Schwanz(1)						
Vinod M. Khilnani	0	0	45,775	48,725	$ 51,191	$ 25,158
Donald R. Schroeder	0	0	39,025	40,475	$ 49,876	$ 23,773
H. Tyler Buchanan	0	0	42,000	26,000	$ 41,800	$ 21,720
James L. Cummins	0	0	29,200	25,200	$ 39,748	$ 19,276

(1) On December 15, 2005, CTS entered into agreements with Mr. Schwanz and certain other employee stock option holders to accelerate the vesting of certain out-of-the-money stock options. The vesting acceleration allows CTS to avoid recognizing pre-tax compensation expense associated with these options in its future income statements as a result of the adoption of FASB Statement No. 123R. In order to prevent unintended personal benefits to the option holders, the agreements provide that shares received upon exercise of an accelerated option may not be transferred until the original vesting date. Absent this acceleration, the number of securities underlying unexercised options shown in the above table for Mr. Schwanz would be as follows: 208,583 exercisable, 195,417 unexercisable.

PENSION PLAN

The following table shows the estimated annualized retirement benefits payable to a covered participant in the CTS Corporation Pension Plan (the Plan) who is a salaried employee. The benefit formula is

Table of Contents

calculated as 1.25% of average monthly pay during the highest three calendar years of a participant s last ten calendar years of service, multiplied by a participant s credited service to arrive at the annualized benefit below.

Pension Plan Table

	Years of Service				
Annual Compensation	**15**	**20**	**25**	**30**	**35**
$ 200,000	$ 37,500	$ 50,000	$ 62,500	$ 75,000	$ 87,500
$ 300,000	$ 56,250	$ 75,000	$ 93,750	$112,500	$131,250
$ 400,000	$ 75,000	$100,000	$125,000	$150,000	$175,000
$ 600,000	$112,500	$150,000	$187,500	$225,000	$262,500
$ 800,000	$150,000	$200,000	$250,000	$300,000	$350,000
$1,000,000	$187,500	$250,000	$312,500	$375,000	$437,500
$1,200,000	$225,000	$300,000	$375,000	$450,000	$525,000
$1,400,000	$262,500	$350,000	$437,500	$525,000	$612,500

Covered compensation is essentially equal to the salary and bonus columns in the Summary Compensation Table, together with the cash payments received in connection with the lapse of transfer restrictions on restricted shares as described in footnote (3) to the Summary Compensation Table. These benefits are not subject to any deduction for social security or other offsets. The years of service credited to the Named Executive Officers as of December 31, 2005 are: Donald K. Schwanz 5.56 years; Vinod M. Khilnani 4.78 years; Donald R. Schroeder 33.44 years; James L. Cummins 28.78 years; and H. Tyler Buchanan 28.78 years.

Section 415(b)(1) of the Code, placed a limit of $170,000 for 2005 on the amount of annual pension benefits that may be paid from the Plan. Section 401(a)(17) of the Code limits the amount of annual compensation that may be taken into account in calculating a benefit under the Plan to $210,000 for 2005. The Plan includes a supplemental benefit for named participants that allows for payment of benefit amounts, to the extent permitted by the Code in excess of the benefit amounts that would be permitted by those provisions. Each of the Named Executive Officers also participates in an unfunded supplemental retirement plan adopted in 2003 that provides that the participant will receive a benefit equal to the difference between his actual benefit under the Plan and the benefit that would have been payable under the Plan without regard to these limits, and, with the exception of Mr. Schwanz, the participant s benefit is enhanced by increasing the percentage of compensation included in the benefit formula by ..1% for each full year of participation in the unfunded plan to a maximum of 1.75% of average monthly pay during the highest three calendar years of a participant s last ten calendar years of service. As described on page 14 under the heading Employment Agreement with Donald K. Schwanz , the unfunded supplemental retirement plan will be used to pay an enhanced pension benefit under which for every year of service Mr. Schwanz accrues after June 30, 2002, an extra year will be credited to him for pension calculation purposes.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee acts pursuant to its written charter adopted by the Board of Directors, a copy of which is attached hereto as Appendix A. All members of the Audit Committee are financially literate and independent as defined in the New York Stock Exchange Corporate Governance Listing Standards.

The Audit Committee has reviewed and discussed with CTS management and Grant Thornton LLP (Grant Thornton), CTS independent registered public accounting firm, the audited consolidated financial statements of the Company for 2005; has discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61; has received from the independent registered public accounting firm the written disclosures and letter required by Independence Standards Board Standard No. 1; and has discussed with the independent registered public accounting firm its independence. Based on the review and discussions described above, the Audit Committee recommended to the Board of Directors that the financial statements be included in CTS Annual Report on Form 10-K for the fiscal year ended December 31, 2005, for filing with the Securities and Exchange Commission.

CTS CORPORATION 2005 AUDIT COMMITTEE

Michael A. Henning, Chairman	Walter S. Catlow
Lawrence J. Ciancia	Gerald H. Frieling, Jr.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

CTS dismissed PricewaterhouseCoopers LLP as its independent registered public accounting firm on June 3, 2005. The decision was recommended and unanimously approved by CTS Audit Committee.

The reports of PricewaterhouseCoopers LLP on CTS financial statements for the years ended December 31, 2004 and 2003 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principle. During the years ended December 31, 2004 and 2003, and through June 3, 2005, there were no disagreements with PricewaterhouseCoopers LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of PricewaterhouseCoopers LLP would have caused PricewaterhouseCoopers LLP to make reference thereto in its report on the CTS financial statements for such years. During the years ended December 31, 2004 and 2003, and through June 3, 2005, there were no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K).

CTS appointed Grant Thornton as its new independent registered public accounting firm as of June 3, 2005. During the two most recent fiscal years and through June 3, 2005, CTS did not consult with Grant Thornton regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on CTS financial statements, and Grant Thornton did not provide a written report or oral advice to CTS which Grant Thornton concluded was an important factor considered by CTS in reaching a decision as to the accounting, auditing or financial reporting issue, or (ii) any matter that was either the subject of a disagreement, as that term is defined in Item 304(a)(1)(iv) or Regulation S-K and the related instructions to Item 304 of Regulation S-K, or a reportable event, as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

Grant Thornton representatives will attend the Annual Meeting to be available to respond to appropriate questions by shareholders and to have the opportunity to make statements, if they desire. The following table presents fees for professional audit services and other services provided by Grant Thornton and PricewaterhouseCoopers LLP to CTS for the year ended December 31, 2005 and by PricewaterhouseCoopers LLP for the year ended December 31, 2004.

The Audit Committee s policy is to pre-approve all audit and non-audit services provided by the independent registered public accounting firm. The Audit Committee annually reviews audit and non-audit services proposed to be rendered by Grant Thornton during the fiscal year. The Audit Committee has delegated authority to the Audit Committee Chairman to grant pre-approval of services by the independent registered public accounting firm, provided that the Chairman reports on any such pre-approval decisions at the next scheduled meeting of the Audit Committee. None of the services rendered by Grant Thornton or PricewaterhouseCoopers LLP were approved by the Audit Committee after the services were rendered

Table of Contents

pursuant to the de minimis exception established under the rules of the Securities and Exchange Commission.

	Audit Fees(1)	Audit-Related Fees(2)	Tax Fees(3)	All Other Fees(4)
2005	$ 1,045,191	$ 201,123	$ 225,282	$ 1,743
2004	$ 1,239,000	$ 68,511	$ 217,038	$ 2,559

(1) For 2005, Audit Fees consist of $117,306 billed by PricewaterhouseCoopers LLP for Sarbanes-Oxley Section 404 services and audit services and $927,885 billed by Grant Thornton for Sarbanes-Oxley Section 404 services and audit services. For 2004, audit fees consist of $498,000 billed by PricewaterhouseCoopers LLP for services related to compliance with Sarbanes-Oxley Section 404 and $741,000 billed by PricewaterhouseCoopers LLP for audit services.

(2) Grant Thornton did not bill CTS for any audit-related services in 2005. For 2005, Audit-Related Fees consist of $47,392 for PricewaterhouseCoopers LLP s audit of CTS employee benefit plans, $80,500 for fees related to the SMTEK acquisition, $50,000 for services related to CTS convertible debt offering, $20,000 for review of a current report on form 8-K and audit transition services and $3,231 for services related to a Thai Board of Investments certification. For 2004, audit-related fees consist of $68,511 for services related to PricewaterhouseCoopers LLP s audit of CTS employee benefit plans.

(3) Tax Fees consist of fees for domestic and international tax services such as tax compliance, tax planning and tax advice. Grant Thornton did not bill CTS for any tax services in 2005. For 2005 and 2004, these include fees billed by PricewaterhouseCoopers LLP for services related to the reorganization of CTS subsidiary structure, services related to tax returns and applications for determination of plan qualification status, and advice regarding transfer pricing and other tax issues.

(4) All Other Fees consist of fees for routine, permissible non-audit services that the Audit Committee has determined do not impair the independence of the auditor. Grant Thornton did not bill CTS for any non-audit services in 2005. For 2005 and 2004, these include PricewaterhouseCoopers LLP s fees for research related services.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Directors Cody, Hemminghaus, Profusek and Vincent served as members of the Compensation Committee during 2005. Mr. Profusek is a partner in Jones Day, a law firm which CTS has retained for specific legal services on a case-by-case basis for over ten years. During 2005, no executive officer of CTS served as a director of any other entity for which any CTS director was an executive officer. Each member of the Compensation Committee is an independent director under the New York Stock Exchange Corporate Governance Listing Standards and the CTS Corporation Corporate Governance Guidelines.

REPORT OF THE COMPENSATION COMMITTEE

The Committee s Responsibilities: The Compensation Committee of the Board has responsibility for setting and administering CTS executive compensation policies. The Committee is composed entirely of independent directors. Reports of the Committee s actions and decisions are presented to the full Board. The Committee approves senior executive compensation and makes recommendations to the full Board concerning CEO compensation, which is subject to approval by the full Board. The purpose of this report is to summarize the principles, specific program objectives and other factors considered by the Committee in making determinations and recommendations regarding executive compensation.

Table of Contents

Compensation Philosophy: The Committee has implemented executive compensation programs which are intended to:

Encourage strong financial and operational performance of CTS;

Link compensation to the interests of shareholders;

Emphasize performance-based compensation;

Provide a competitive level of total compensation necessary to attract and retain talented and experienced executives.

Compensation Methodology: The Committee believes that CTS executive compensation programs reflect this philosophy and provide executives with strong incentives to maximize CTS performance and enhance shareholder value. The executive compensation programs consist of both annual and long-term components and include performance-based and equity-based components. Historically, the Committee has reviewed market data and assesses CTS competitive position in the area of executive compensation. CTS also retains independent compensation and benefits consultants to assist in evaluating executive compensation programs. The Committee uses an independent consultant to provide additional assurance that CTS executive compensation programs are reasonable and appropriate.

Components of Compensation:

Base Salary: Annual base salary is designed to compensate CTS executives for their qualifications, responsibilities and performance. The Committee s objective is to compensate executives at approximately the fiftieth percentile of base salaries paid for similar positions at similarly situated companies.

Annual Incentives: CTS has maintained an annual management incentive plan for a number of years which provides cash compensation incentives based on the financial performance of CTS. The Committee establishes the performance measures and approves the payouts under the plan for each executive officer. Under the 2005 Management Incentive Plan, the committee established specific financial objectives based on CTS Earnings Per Share (EPS) and/or the contribution to EPS of specific business units. For 2005, CTS achieved an established EPS target and certain business units achieved their established contribution to EPS targets. Each of the executive officers qualified for a bonus under the terms of the 2005 Management Incentive Plan.

Long-Term, Stock-Based Compensation: CTS historically used two forms of long-term, stock-based incentives, restricted stock grants with an associated cash bonus and stock options, under shareholder- approved plans. Since 2004, CTS has used restricted stock unit grants under the shareholder-approved CTS Corporation Omnibus Long-Term Incentive Plan in place of restricted stock and cash bonus. CTS has continued to grant stock options under the 2004 Omnibus Plan on a more limited basis. The Committee believes that stock ownership and stock-based compensation are valuable tools for motivating employees to improve the long-term performance of CTS. The Committee also believes that they are the best way to tie a significant amount of an executive s potential income to enhanced shareholder value. CTS stock compensation plans have change of control provisions under which, upon a change of control of CTS, benefits thereunder accelerate and vest immediately.

The Committee has generally awarded stock options which provide for a purchase price equal to market value of the stock on the date of the grant and which vest over a four-year period. During 2005, the Committee granted options for a total of 109,700 shares to the Named Executive Officers, as described in the chart entitled Option Grants in Last Fiscal Year on page 16 of this proxy statement. During 2005, the Committee granted a total of 133,000 restricted stock units to Named Executive Officers, as described in the Summary Compensation Table on page 13 of this proxy statement. Restricted stock unit awards distribute to the recipient one share of CTS common stock

for each unit upon vesting. Most of these awards vest in installments over five years. To recognize significant individual contributions, the Committee may grant individual awards using alternative vesting schedules or distribution options.

Compensation for the Chief Executive Officer (CEO): The Committee annually reviews the CEO s compensation. The Committee strives to establish the midpoint of the base salary for the CEO at approximately the fiftieth percentile of CEO base salaries paid by similarly situated companies. In September 2001, Donald K. Schwanz entered into an employment agreement to serve as Chief Executive Officer of CTS, the terms of which are summarized on pages 14 and 15 of this proxy statement. At that time, use of CEO comparative compensation data supplied by Towers Perrin led to the establishment of Mr. Schwanz s base salary at $630,000. The Committee annually reviews Mr. Schwanz s base salary. In 2002, the Committee made no adjustment to Mr. Schwanz s base salary. The Committee increased Mr. Schwanz annual base salary to $670,000 in 2003 and to $713,600 in 2004. In 2005, the Committee increased Mr. Schwanz s annual base salary by 5%, to $749,280. CTS annual management incentive plan provides cash bonuses based on the financial performance of CTS. Mr. Schwanz received a bonus of $364,270 for fiscal year 2005 under the 2005 Management Incentive Plan. In determining long-term, stock-based compensation, the Committee considers CTS financial performance and relative shareholder return, the value of similar awards to CEOs at comparable companies and the awards given to the CEO in past years. In order to align Mr. Schwanz s compensation with the success of the SMTEK acquisition, the Committee increased the share of his total compensation comprised by stock-based compensation. In 2005, Mr. Schwanz received stock options on 50,000 shares and a grant of 45,000 restricted stock units.

Deductibility of Certain Executive Compensation: Federal income tax law caps at $1,000,000 the deductible compensation per year for each of the Named Executive Officers in the proxy statement, subject to certain exceptions. In developing and implementing executive compensation policies and programs, the Compensation Committee considers whether particular payments and awards are deductible for federal income tax purposes, along with other relevant factors. Consistent with this policy, the Committee has taken what it believes to be appropriate steps to maximize the deductibility of executive compensation. While it is the general intention of the Committee to meet the requirements for deductibility, the Committee may approve payment of non-deductible compensation from time to time if circumstances warrant. The Committee will continue to review and monitor its policy with respect to the deductibility of compensation.

CTS CORPORATION 2005 COMPENSATION COMMITTEE

Thomas G. Cody, Chairman	Robert A. Profusek
Roger R. Hemminghaus	Patricia K. Vincent

Table of Contents

STOCK PERFORMANCE GRAPH
Comparison of Five-Year Cumulative Return

The following graph compares the cumulative total shareholder return on CTS common stock with the Standard & Poor s 500 Stock Index and the Standard & Poor s 500 Information Technology Stock Index for the years 2001 through 2005. The graph assumes that $100 was invested on December 31, 2000 in each of CTS common stock, the S&P 500 Stock Index and the S&P 500 Information Technology Stock Index.

		INDEXED RETURNS				
	Base Period	Year Ending				
Company/Index	2000	2001	2002	2003	2004	2005
CTS CORP	100	43.94	21.73	32.66	38.10	32.03
S&P 500 INDEX	100	88.11	68.64	88.33	97.94	102.75
S&P 500 INFORMATION TECHNOLOGY	100	74.13	46.40	68.31	70.06	70.75

2005 Annual Report on Form 10-K

Upon receipt of the written request of a CTS shareholder owning shares of common stock on the Record Date addressed to Richard G. Cutter, Secretary of CTS Corporation, 905 West Boulevard North, Elkhart, Indiana 46514, CTS will provide to such shareholder, without charge, a copy of its 2005 Annual Report on Form 10-K, including the financial statements and financial statement schedule. The report is also available on CTS website at http://www.ctscorp.com.

By Order of the Board of Directors,

Richard G. Cutter
Secretary

Elkhart, Indiana
March 30, 2006

Table of Contents

Exhibit A

CTS CORPORATION
BOARD OF DIRECTORS
AUDIT COMMITTEE CHARTER

PURPOSE:

The purposes of the Audit Committee are to (a) assist the Board of Directors in fulfilling the Board s oversight responsibilities with respect to (i) the integrity of the Company s financial statements, (ii) the Company s compliance with legal and regulatory requirements, (iii) the independent auditors qualifications and independence, and (iv) the performance of the independent auditors and the Company s internal audit function; and (b) oversee the preparation of the Committee s report, made pursuant to the Securities Exchange Act of 1934 (the Exchange Act), to be included in the Company s annual proxy statement (the Audit Committee Report).

COMPOSITION:

The Committee shall be solely comprised of a minimum of three (3) and a maximum of five (5) independent members of the Board whose qualifications shall be as follows:

1) Each Committee member shall meet the independence criteria of (a) the rules of the New York Stock Exchange, Inc., as such requirements are interpreted by the Board in its business judgment and (b) Section 301 of the Sarbanes-Oxley Act of 2002 (the Act) and any rules promulgated thereunder by the Securities and Exchange Commission (SEC).

2) Each Committee member shall be financially literate or shall become financially literate within a reasonable period of time after his or her appointment to the Committee. Additionally, at least one member of the Committee shall have accounting or related financial management expertise and shall meet the criteria of a financial expert within the meaning of Section 407 of the Act and any rules promulgated thereunder by the SEC. The Board shall determine, in its business judgment and upon the recommendation of the Nominating and Governance Committee, whether a member is financially literate and whether at least one member has the requisite accounting or financial expertise and meets the financial expert criteria.

3) Each Committee member shall only receive, as compensation from the Company, director s fees (which includes all forms of compensation paid to directors of the Company for service as a director or member of a Board Committee).

4) Each Committee member shall serve on no more than two audit committees of public companies unless the Board of Directors has made an affirmative determination that such service would not detract from that Committee member s ability to give adequate time to the Committee.

The Board shall appoint the members and the Chairman of the Committee based on nominations made by the Company s Nominating and Governance Committee. Committee members shall serve at the pleasure of the Board and for such term or terms as the Board may determine.

RESPONSIBILITIES AND AUTHORITY:

1) Retain Independent Auditors: Have the sole authority to (a) retain and terminate the Company s independent auditors (b) approve all audit engagement fees, terms and services, and (c) approve all non-audit engagements with the Company s independent auditors. Such authority shall be exercised in a manner consistent with the provisions of the Act. The Chairman of the Committee shall have authority to grant any pre-approvals required by the Act, subject to the Chairman reporting any such pre-approvals to the Committee at its next scheduled meeting.

2) Review Auditors Quality Control: At least annually, obtain and review reports concerning all communications required by the Act and the rules of the New York Stock Exchange.

3) Review Independence of Auditors: In connection with the retention of the Company s independent auditors, at least annually review the information provided by management and the auditors relating to the independence of the audit firm, including, among other things, information related to the non-audit services provided and expected to be provided by the auditors. The Committee is responsible for (a) ensuring that the independent auditors submit at least annually to the Committee a formal written statement delineating all relationships between the auditors and the Company consistent with Independence Standards Board Standard No. 1, (b) actively engaging in a dialogue with the auditors with respect to any disclosed relationship or services that may impact the objectivity and independence of the auditors and (c) taking appropriate action in response to the auditors report to satisfy itself of the auditors independence. In connection with the Committee s evaluation of the auditors independence, the Committee shall also review and evaluate the lead partner of the independent auditors and take such steps as may be required by law with respect to the regular rotation of the lead audit partner and the reviewing audit partner of the independent auditors.

4) Set Hiring Policies: Set hiring policies for employees or former employees of the independent auditors which shall include the restrictions set forth in the Act.

5) Review Audit Plan: Review with the independent auditors its plans for, and the scope of its annual audit, and other examinations.

6) Conduct of Audit: Discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (as amended) relating to the conduct of the audit, as well as any audit problems or difficulties and management s response, including (a) any restriction on audit scope or on access to requested information, (b) any disagreements with management and (c) significant issues discussed with the independent auditors national office. Unresolved disagreements between management and the independent auditors regarding financial reporting shall be decided by the Committee.

7) Discuss Financial Statements: Discuss with appropriate officers of the Company and the independent auditors the annual audited and quarterly financial statements of the Company, including (a) the Company s disclosures under Management s Discussion and Analysis of Financial Condition and Results of Operations, and (b) the disclosures regarding internal controls and other matters required to be reported to the Committee by the Act and any rules promulgated thereunder by the SEC.

8) Discuss Earnings Press Releases: Discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies (including any use of pro forma or adjusted non-GAAP information).

9) Review Internal Audit Plans: Review internal audit plans for and the scope of ongoing audit activities.

10) Review Internal Audit Reports: Review the annual report of the audit activities, examinations and results thereof of the internal auditing department.

11) Review Systems of Internal Accounting Controls: Review the adequacy of the Company s internal accounting controls, the Company s auditing organization and personnel, and the Company s policies and compliance procedures with respect to business practices which shall include the disclosures regarding internal controls and matters required to be reported to the Committee by the Act and any rules promulgated hereunder by the SEC.

12) Review Recommendations of Independent Auditors: Review with the senior internal auditing executive and the appropriate members of management recommendations made by the independent auditors and the senior internal auditing executive, as well as such other matters, if any, as such persons or other officers of the Company may desire to bring to the attention of the Committee.

13) Review Audit Results: Review with the independent auditors (A) the report of their annual audit, or proposed report of their annual audit, (B) the accompanying management letter, if any, (C) the reports of their reviews of the Company s interim financial statements conducted in accordance with Statement on Auditing Standards No. 71, and (D) the reports of the results of such other examinations outside of the course of the independent auditors normal audit procedures that the independent auditors may from time

Table of Contents

to time undertake. The foregoing shall include the reports required by the Act and, as appropriate, (a) a review of major issues regarding (i) accounting principles and financial statement presentations, including any significant changes in the Company s selection or application of accounting principles and (ii) the adequacy of the Company s internal controls and any special audit steps adopted in light of material control deficiencies, (b) a review of analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements and (c) a review of the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

14) Exchange Act: Obtain from the independent auditors assurance that they will inform Company management concerning any information indicating that an illegal act has or may have occurred that could have a material effect on the Company s financial statements and insure that such information has been communicated by management to the Audit Committee.

15) Review Risk Management Policies: Review policies and procedures with respect to risk assessment and risk management to oversee the internal controls utilized by management in handling the Company s exposure to risk. The Committee should discuss the Company s major financial risk exposures and the steps management has taken to monitor and control these exposures.

16) Obtain Reports Regarding Conformity With Legal Requirements and the Company s Code of Ethics: Review with management, the general counsel, the Company s senior internal auditing executive and the independent auditor that the Company and its subsidiary/foreign affiliated entities are in conformity with applicable legal requirements and the Company s Code of Ethics. Advise the Board with respect to the Company s policies and procedures regarding compliance with applicable laws and regulations and with the Company s Code of Ethics. Establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

17) Discuss With General Counsel Matters Regarding Financial Statements or Compliance Policies: Discuss with the Company s General Counsel legal matters that may have a material impact on the financial statements or the Company s compliance policies.

18) Review Other Matters: Review such other matters in relation to the accounting, auditing and financial reporting practices and procedures of the Company as the Committee may, in its own discretion, deem desirable in connection with the review functions described above.

19) Board Reports: Report its activities regularly to the Board in such manner and at such times as the Committee and the Board deem appropriate, but in no event less than once a year. Such report shall include the Committee s conclusions with respect to its evaluation of the independent auditors.

MEETINGS OF THE COMMITTEE:

The Committee shall meet in person or telephonically at least quarterly, or more frequently as it may determine necessary, to comply with its responsibilities as set forth herein. The Chairman of the Committee shall, in consultation with the other members of the Committee, the Company s independent auditors and the appropriate officers of the Company, be responsible for calling meetings of the Committee, establishing agenda therefor and supervising the conduct thereof. The Committee may also take any action permitted hereunder by unanimous written consent.

The Committee may request any officer or employee of the Company or the Company s outside legal counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. It is expected that the Committee shall routinely work with and through management to fulfil its roles and responsibilities except as required or prohibited by law. However, the Committee shall meet periodically in separate private sessions with management, the independent auditors, and the internal auditors to discuss such matters as either party deems appropriate. Additionally, the

Table of Contents

Committee may elect to meet in separate private session with any other party they deem appropriate for private discussions.

RESOURCES AND AUTHORITY OF THE COMMITTEE:

The Committee shall have the resources and authority appropriate to discharge its responsibilities and carry out its duties as required by law, including the authority to engage outside auditors for special audits, reviews and other procedures and to engage independent counsel and other advisors, experts or consultants. The Audit Committee may also, to the extent it deems necessary or appropriate, meet with the Company s investment bankers or financial analysts who follow the Company.

AUDIT COMMITTEE REPORT:

The Committee shall prepare, with the assistance of management, the independent auditors and outside resources (as deemed necessary), the Audit Committee Report.

ANNUAL REVIEW OF CHARTER:

The Committee shall conduct and review with the Board annually an evaluation of this Charter and recommend any changes to the Board. The Charter evaluation shall be conducted by the Committee in such manner as the Committee, in its business judgment, deems appropriate.

ANNUAL PERFORMANCE EVALUATION:

The Committee shall conduct and review with the Board annually an evaluation of the Committee s performance with respect to the requirements of this Charter. This evaluation shall also set forth the goals and objectives of the Committee for the upcoming year. The performance evaluation shall be conducted by the Committee in such manner as the Committee, in its business judgment, deems appropriate.

Table of Contents

CTS CORPORATION
c/o National City Bank
Corporate Trust
Operations
Locator 5352
P. O. Box 92301
Cleveland, OH
44101-4301

Proxy card must be signed and dated below.
ò Please fold and detach card at perforation before mailing. ò

CTS CORPORATION
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
FOR THE ANNUAL MEETING OF SHAREHOLDERS ON MAY 3, 2006.

The undersigned, having received the Notice of Annual Meeting of Shareholders and the Proxy Statement hereby appoints Donald K. Schwanz and Richard G. Cutter as proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated on the reverse, all shares of Common Stock of CTS Corporation held of record by the undersigned on March 17, 2006, at the Annual Meeting of Shareholders originally convened on May 3, 2006 and at any adjournment thereof.

Signature

Signature (if held jointly)

Please sign exactly as shown hereon. When shares are held by joint tenants, both must sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If partnership, please sign in partnership name by authorized person.

Dated: 2006.

PLEASE DATE, SIGN AND RETURN THE PROXY CARD PROMPTLY, USING THE ENCLOSED ENVELOPE.

Table of Contents

YOUR VOTE IS IMPORTANT

Please sign and date this proxy card and return it promptly in the enclosed postage-paid envelope, or otherwise to National City Bank, P.O. Box 535300, Pittsburgh, PA 15230, so that your shares may be represented at the Annual Meeting.

ò**Please fold and detach card at perforation before mailing.** ò

CTS CORPORATION ***PROXY***

This Proxy, when properly executed, will be voted in the manner directed herein. If not otherwise marked, this Proxy will be voted FOR the election of all nominees listed below.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR ALL NOMINEES LISTED BELOW.

1. **ELECTION OF DIRECTORS**

Nominees: W. S. Catlow L. J. Ciancia T. G. Cody
G. H. Frieling, Jr. R. R. Hemminghaus M. A. Henning
R. A. Profusek D. K. Schwanz P. K. Vicent

q **FOR** all nominees listed above (except as marked to the contrary below)

q **WITHHOLD AUTHORITY** to vote for all nominees listed above.

To withhold authority to vote for any individual nominee, write that nominee s name below:

2. **In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting, or any adjournment thereof.**

IMPORTANT THIS PROXY MUST BE SIGNED AND DATED ON THE REVERSE SIDE