

CTS CORP  
Form 4  
December 03, 2009

**FORM 4** UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL

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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
CODY THOMAS G

(Last) (First) (Middle)

MACY'S, INC., 7 WEST SEVENTH ST.

(Street)

CINCINNATI, OH 45202-2471

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
CTS CORP [CTS]

3. Date of Earliest Transaction  
(Month/Day/Year)  
12/03/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				(A) or (D) Code V Amount (D) Price			
Common Stock	12/03/2009		A	6,500 A \$ 0	28,945	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474  
(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Transaction (Instr. 6)
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## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
CODY THOMAS G MACY'S, INC. 7 WEST SEVENTH ST. CINCINNATI, OH 45202-2471		X		

## Signatures

Richard G. Cutter, as  
Attorney-in-fact  
Date: 12/03/2009

\*\*Signature of Reporting Person

Date

## Explanation of Responses:

\* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. /FONT>

### General

On August 22, 2008, we issued 25,000 shares of Series A Preferred Stock to each of the Virgin Group and SK Telecom for an aggregate investment amount of \$50,000,000. Under the terms of the Certificate of Designations for the Series A Preferred Stock, the holders of the Series A Preferred Stock currently do not have voting rights in respect of their shares of Series A Preferred Stock and do not have the ability to convert any of their shares of Series A Preferred Stock into common stock. If this Proposal 2 is approved by our stockholders, the holders of Series A Preferred Stock will be granted voting rights and conversion rights as described in more detail below in the section entitled Series A Preferred Stock Rights and Preferences .

### NYSE Requirements

The Board of Directors proposes to issue 5,882,353 shares of Class A common stock upon conversion of all outstanding shares of Series A Preferred Stock issued in connection with the Investments and asks for your approval for the issuance in accordance with the rules of the NYSE.

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The NYSE rules require stockholder approval for the issuance of common stock in any transaction or series of transactions if the common stock has voting power equal to, or in excess of, 20% of the voting power outstanding before the issuance of such shares or if the number of shares of common stock to be issued will equal or exceed 20% of the number of shares of common stock outstanding before the issuance. In addition, the NYSE rules require stockholder approval for any issuance to a substantial security holder if the common stock to be issued exceeds 1% of the outstanding shares of common stock prior to issuance.

Our proposed issuance of shares of common stock to SK Telecom and the Virgin Group upon conversion of the Series A Preferred Stock falls under this rule because (i) the shares of common stock issued at the closing of the Helio Acquisition, together with the shares of common stock issuable upon conversion of the Series A Preferred Stock, will exceed 20% of the voting power and number of shares of Company common stock outstanding before the issuance of shares upon consummation of the Helio Acquisition and (ii) the Virgin Group may be deemed to beneficially own approximately 35.5% of our outstanding common stock without giving effect to the conversion of the Series A Preferred Stock, and any holder of aggregate interests which represent 5% or more of the outstanding shares of a company's common stock or other voting securities is generally considered by the NYSE to be a substantial security holder.

### **Interests of Certain Persons in Approval of Series A Preferred Stock Conversion**

If this Proposal 2 is approved by our stockholders, the Virgin Group will beneficially own approximately 36.7% of our outstanding capital stock on a fully diluted basis. Pursuant to our amended and restated stockholders' agreement among the Company, Sprint Nextel, the Virgin Group and SK Telecom, the Virgin Group has the right to designate up to three individuals to our Board of Directors. The Virgin Group has designated Messrs. Mark Poole, Robert Samuelson and Ms. Frances Brandon-Farrow to serve on our Board of Directors. Additionally, pursuant to our second amended and restated bylaws and subject to the Virgin Group continuing to hold certain minimum interests in the Company, the Virgin Group has consent rights over certain actions by the Company.

If this Proposal 2 is approved by our stockholders, SK Telecom will beneficially own approximately 16.5% of the voting power of our outstanding capital stock on a fully diluted basis. Pursuant to our amended and restated stockholders' agreement with Sprint Nextel, the Virgin Group and SK Telecom, SK Telecom has the right to designate up to two individuals to our Board of Directors. SK Telecom has designated Richard Chin and

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Sung Won Suh to serve on our Board of Directors. Additionally, pursuant to our second amended and restated bylaws and subject to SK Telecom continuing to hold certain minimum interests in the Company, SK Telecom has consent rights over certain actions by the Company.

**Series A Preferred Stock Rights and Preferences**

The following is a summary of the material terms and provisions of the preferences, limitations, voting powers and relative rights of the Series A Preferred Stock as contained in the Certificate of Designations of the Company relating to the Series A Preferred Stock, which is attached to this proxy statement as Annex B, which we incorporate by reference into this proxy statement. Stockholders are urged to read the Certificate of Designations relating to the Series A Preferred Stock in its entirety. While the Company believes this summary covers the material terms and provisions of the Certificate of Designations of the Company relating to the Series A Preferred Stock, it may not contain all of the information that is important to you and is qualified in its entirety by reference to Annex B.

*Authorized Shares and Liquidation Preference*

The number of authorized shares of the Series A Preferred Stock is 50,000, plus any shares necessary to pay any dividends thereon. The Series A Preferred Stock has a liquidation preference of \$1,000.00 per share.

*Ranking*

The Series A Preferred Stock, with respect to dividend and distribution rights and rights on liquidation, winding-up and dissolution, ranks (i) senior to each class of common stock of the Company and each other class or series of capital stock of the Company created which expressly ranks junior to the Series A Preferred Stock with respect to the right to receive dividends and distributions and rights upon the Company's liquidation, winding-up and dissolution, (ii) on parity with each other class or series of capital stock of the Company which does not expressly rank junior or senior to the Series A Preferred Stock with respect to the right to receive dividends and distributions and rights upon the Company's liquidation, winding-up and dissolution and (iii) junior to all other series of preferred stock of the Company and each other class or series of capital stock of the Company which expressly ranks senior to the Series A Preferred Stock with respect to the right to receive dividends and distributions and rights upon the Company's liquidation, winding-up and dissolution.

*Liquidation*

In the event that the Company voluntarily or involuntarily liquidates, dissolves or winds up, the holders of the Series A Preferred Stock will be entitled, for each share of the Series A Preferred Stock held, to the greater of (i) the sum of (A) \$1,000.00 plus (B) all unpaid cumulated and accrued dividends on such share of Series A Preferred Stock, or (ii) an amount equal to the amount a holder of Series A Preferred Stock would have received upon a liquidation, winding-up or dissolution of the Company had such holder converted its shares of Series A Preferred Stock into shares of Class A common stock immediately prior to such liquidation, winding-up or dissolution.

In the event the assets of the Company available for distribution to stockholders upon any liquidation, dissolution or winding-up of the affairs of the Company, whether voluntary or involuntary, are insufficient to pay in full the amounts payable with respect to all outstanding shares of the Series A Preferred Stock and the corresponding amounts payable on any parity securities, holders of Series A Preferred Stock and the holders of parity securities will share ratably in any distribution of assets of the Company in proportion to the full respective liquidating distributions to which they would otherwise be respectively entitled.

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*Dividends*

Holders of Series A Preferred Stock are entitled to receive, when, as and if declared by the Board of Directors:

dividends on each outstanding share of Series A Preferred Stock that accrue at an annual rate of 6.00%; and

participating dividends of the same type as any dividends or other distribution, payable or to be made on outstanding shares of Class A common stock equal to the amount of such dividends or other distribution as would be made on the number of shares of Class A common stock into which such shares of Series A Preferred Stock could be converted on the date of payment of such dividends or other distribution on the Class A common stock.

Dividends will be payable semi-annually in arrears on September 30th and March 31st of each year. The dividends will accrue and be cumulative, whether or not the Company has earnings or profits, whether or not there are funds legally available for the payment of such dividends and whether or not dividends on the Series A Preferred Stock are declared or paid. Accrued but unpaid dividends for any past dividend period may be declared by the Board of Directors and paid on any date fixed by the Board of Directors, whether or not a regular dividend payment date, to holders of record on the books of the Company on such record date as may be fixed by the Board of Directors.

All dividends in respect of the Series A Preferred Stock will be paid in additional shares of Series A Preferred Stock.

Subject to limited exceptions, if full cumulative dividends payable on all outstanding shares of the Series A Preferred Stock for any dividend period have not been declared and paid, the Company will not be permitted to declare or pay dividends with respect to, or redeem, purchase or acquire any of its junior securities during the next succeeding dividend period, including the Class A common stock. Additionally, no dividend may be declared or paid or set aside for payment or other distribution declared or made upon any common stock of the Company unless full participating dividends on all shares of Series A Preferred Stock have been or are contemporaneously declared and paid.

*Voting*

Generally, after obtaining the stockholder approval under this Proposal 2, each holder of the Series A Preferred Stock shall have the right to one vote for each share of the Class A common stock into which such share of Series A Preferred Stock would be convertible, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of Class A common stock and shall be entitled to vote together as a single class with holders of Class A common stock.

*Redemption*

For as long as the Series A Preferred Stock is outstanding, the Company is prohibited from redeeming, repurchasing or acquiring any shares of common stock or other junior securities, subject to limited exceptions.

At the four-year anniversary of the original issue date of the Series A Preferred Stock (August 22, 2012), if any shares of Series A Preferred Stock remain outstanding due to a failure to obtain stockholder approval under this Proposal 2 prior to such time or, if the stockholders approve the proposal and the price of Class A common stock fails to reach \$8.50 per share and the holders of Series A Preferred Stock do not elect to convert their shares into Class A common stock, the Company will redeem all of the outstanding shares of Series A Preferred Stock. The Company will redeem the Series A Preferred Stock by payment in cash, for each share of Series A Preferred Stock to be redeemed, in an amount equal to \$1,000.00 plus all accrued and unpaid dividends calculated as of the redemption date.

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### *Conversion*

Generally, at any time after obtaining the stockholder approval under this Proposal 2 and commencing on the eighteen-month anniversary of the original issue date of the Series A Preferred Stock, each share of Series A Preferred Stock may be converted at the option of the holder of such share of Series A Preferred Stock into 117.64706 shares of Class A common stock, reflecting an effective conversion price of \$8.50 per share. Any optional conversion by a holder of Series A Preferred Stock will be for all of the shares of Series A Preferred Stock held by such holder.

Upon obtaining stockholder approval under this Proposal 2, each share of Series A Preferred Stock shall be converted automatically into 117.64706 shares of Class A common stock upon the earlier of (i) such time as the closing price on the NYSE of the Class A common stock exceeds \$8.50 for ten trading days during any twenty consecutive trading day period and (ii) the four-year anniversary of the original issue date of the Series A Preferred Stock. The number of shares of Class A common stock into which each share of the Series A Preferred Stock will be convertible will be determined by dividing the amount the holder would be entitled to receive in a liquidation, dissolution or winding-up of the Company at the time of conversion by the conversion price in effect at the time of conversion. In addition, the holder will be entitled to receive additional shares of Class A common stock in an amount equal to all unpaid, cumulated and accrued dividends with respect to each share of Series A Preferred Stock converted at the time of the conversion.

### **Voting Agreements**

Each of the Virgin Group and Sprint Nextel have entered into a voting agreement with SK Telecom to vote its shares of our voting capital stock within their control in favor of Proposal 2, in the case of Sprint Nextel so long as the transaction continues to be approved by the majority of independent directors of the Company at the time of the Special Meeting and in the case of the Virgin Group so long as the transaction continues to be approved by the majority of the Board of Directors at the time of the Special Meeting. These votes will be counted to satisfy the approval requirements of the NYSE. Without giving effect to the conversion of the Series A Preferred Stock, as of December 5, 2008, Virgin Group and Sprint Nextel represent approximately 45.6% of the voting power of our capital stock on a fully diluted basis.

### **Required Vote**

Under the NYSE rules, approval of the issuance of the common stock upon conversion of the Series A Preferred Stock requires the affirmative vote of the majority of the votes cast on the proposal, provided that the total votes cast on the proposal represent over 50% of all outstanding securities entitled to vote on the proposal.

Abstentions are counted as present for purposes of determining who is entitled to vote on Proposal 2, and therefore will have the effect of a vote against Proposal 2. Broker non-votes are not counted as present for purposes of determining who is entitled to vote on Proposal 2, and therefore will have no effect on the outcome of the vote on Proposal 2.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE  
FOR PROPOSAL 2**

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**PROPOSAL 3**

**AMENDMENT TO THE 2007 OMNIBUS INCENTIVE COMPENSATION PLAN**

**General**

Stockholders are being asked to consider and approve an amendment to the Company's Omnibus Plan to increase the number of shares of common stock available for issuance thereunder from 7,726,384 (including shares previously granted under the Omnibus Plan or its predecessor plans or subject to outstanding awards thereunder) to 12,726,384 shares, of which up to 8,590,618 shares may be granted as incentive stock options (the Omnibus Plan Amendment). Attached to this proxy statement as Annex C is a copy of the Omnibus Plan, as amended and approved by the Board of Directors, and as submitted to the stockholders for their approval. The Omnibus Plan was originally adopted by the sole holder of shares of the Company's capital stock representing all of the Company's then-outstanding voting power by written consent without a meeting on October 10, 2007.

Proposal 3 seeks approval of the Omnibus Plan Amendment to add 5,000,000 shares of Class A common stock to the 2,111,846 currently designated (98,268 of which are currently available) for future awards under the Omnibus Plan. If the Omnibus Plan Amendment is approved, the shares available for future awards under the Omnibus Plan would be approximately 6.0% of the Company's outstanding Class A common stock, on a fully diluted basis. The other features of the Omnibus Plan remain the same as under the terms of the Omnibus Plan previously approved by the sole holder of shares of our capital stock representing all of our then-outstanding voting power. In order for the Omnibus Plan Amendment to take effect, it must be approved by the Company's stockholders at the Special Meeting.

**Material Features of the Omnibus Plan**

The following is a brief summary of the material features of the Omnibus Plan. Because this is only a summary, it does not contain all the information about the Omnibus Plan that may be important to you and is qualified in its entirety to the