

Chicago Meeting Day Follow Up

Date:
To: Client Management Team
From: Tad Gage
Re: Chicago meetings feedback

As promised, here is feedback from a selected number of those who participated in your lunch presentation and from your private meetings. The reception to the presentation itself and the CTS story was very positive. Among those who followed the company at one time, there was genuine excitement expressed about how the company has evolved and is positioning itself for the future. If there was one prevailing concern, it was the perception CTS remains exposed to the passenger vehicle industry, whether represented by the Big Three or Asian automakers. There isn't a lot of confidence in the near-term prospects for the passenger vehicle market. We encourage respondents to be honest and to offer both praise and constructive criticism, and we include this in our report to you. Once you've reviewed this follow up, we can discuss possible strategies and messaging to address any issues that were raised.

Attendance at the meeting included Chris McMahon, managing director at Baird, and Justin Albert, vice president. They've invited your IR director to stay in touch and perhaps this will help build a bridge to Baird possibly once again picking up coverage.

Jim Hinman, Wealth Advisor, Podesta & Company: I liked the presentation. The level of detail was just right and gave some additional insight into the business activities that are driving the margin increases and cash flow [Jim reviewed the "Financial Drivers" fact sheet before attending the presentation]. I've talked to several clients and they're interested in discussing it more and possibly investing. [Podesta advisors serve high net worth clients able to make significant equity investments. Jim requested three additional CTS kits to present to and review with clients].

Charlie Bobrinskoy, Vice Chairman, Ariel Investments: In this industry, we are concerned about a smaller company's ability to compete. We see a trend in OEM's wanting to deal with a smaller number of global suppliers. We are the largest owner of Littlefuse, an auto supplier, who has had to diversify into other businesses. CTS could be bought. The challenge for you would be how to tell potential investors that CTS would be an attractive acquisition target without signaling that the company is for sale (which I assume it is not).

John Dawson, Vice President, Wunderlich Securities: I enjoyed the presentation thoroughly. I hadn't looked at CTS in a long time and I had no idea about the new business plan. It was a nice and somewhat sleepy company for a long time, and I heard they had some problems a few years ago. That's about as much attention as I paid them. This looks like a very sound approach to growing the company, and I liked the enthusiasm and financial sophistication management showed. Actually, I'm surprised they aren't expanding more rapidly, especially in India. But cautious growth is better than being overly aggressive. I plan to recommend this to several clients and buy some shares for my own portfolio.

Barry Mendel, President, Mendel Money Management: I haven't paid attention to CTS in years, and this was a very worthwhile introduction to a very different company than it used to be. If CTS hadn't changed its business model to reduce dependence on the big three and low-margin assembly for computer companies, I think it would be on the way to going out of business. This new strategy makes a lot of sense. I was surprised that the business isn't as cyclical as I thought it would be. I liked their focus on making operations as efficient as possible, using the same facility for several business lines. I can see the strategy for generating more free cash flow, but I'd like a more thorough explanation of how they plan to use that cash. Can they reinvest it for

better returns? What areas offer the highest returns. Even the elevated R&D this coming year, which makes sense, doesn't sound like a permanent commitment. Overall, the business doesn't seem nearly as capital intensive as you might think, which is a good thing because the cash can be put to use more productively. Will it be used to pay off the convertible? Increase dividends? I am doing more homework on CTS because it's a serious candidate for investment.

Tom Hofstetter, Investment Advisor, M.B. Vick Securities: I don't go to many presentations but I used to have a fondness for CTS. When I got the invitation and confirmed my attendance, I started taking a look at the company's recent performance and thought it had a lot going for it, even in its normal range. I'm glad I was watching it because when the stock dropped on that program sale, I bought quite a bit for my own portfolio. I could see there was no news and everything about the company was solid. Even though the stock rebounded, I still think it's a good value, and I'm recommending it to some of my clients. The presentation clearly laid out the strategy and the business plan. I think there's a lot of potential upside.

Bill Schmidle, Vice President, Pekin, Singer, Strauss: We all liked the story, and we definitely plan to start watching the company. It's appealing in many ways – especially its new business areas and expanding global presence. Ron Strauss was impressed by the scope of Vinod's knowledge and his ability to clearly spell out the company's goals. We discussed CTS at our management meeting that afternoon. If there's one reservation Ron has, it's that passenger vehicles continue to drive so much of the revenue. Even though CTS has expanded business with non-US automakers, they're still making passenger vehicles and we're not very excited about the entire global market for new cars over the next few years. It makes sense the company is diversifying into other types of vehicles, but it's still a small part of the revenue mix. The push for higher-margin business impressed everyone. A lot of things have to go right for the plan to work, like new markets, new products, higher-margin EMS business. For this reason, a couple of the folks felt the goals for margin expansion might be too ambitious. I think if the company hits its targets for margins, the stock is a bargain. If it doesn't, the stock is fairly priced. We like the company and would probably buy immediately on any price weakness. We will be watching it, looking for a few more indications that this higher margin business is coming through as planned, and we could possibly justify taking a position and recommending it to clients even if the price rises from their current levels. [As a reminder, Pekin Singer is a deep value shop and manages approximately \$700 million in mutual funds on behalf of clients and also makes stock recommendations to individual clients of the firm. The company's principals personally invest in every stock they recommend to clients].

Ed Mucha, Investment Advisor, David A. Noyes & Co. Securities: I really got turned onto this story. I love the way the company has in many areas reinvented itself, leveraged its existing business lines and is moving upstream toward better margin products. It's an impressive strategy. This is still the early stages for CTS, so I can understand why people would be skeptical about their ability to move away from two such large business areas like a volume based assembly business and the Big Three automakers. But they're doing what they must do, and they've shown they're already moving in their chosen direction. I think they're for real. I'll be bringing this up with a number of clients. I'll probably buy some myself. I see the upside here.

Brian Gillespie, Analyst, Perritt Capital Management: This definitely looks like a candidate for our firm to consider. It meets our criteria for liquidity, value and growth opportunity. I very much liked the cash flow and margin discussion. The presentation explained the business well and I was impressed with the energy and vision of the CEO. If everyone has been looking at the company as just a manufacturer serving the Big Three and doing assemblies for computer companies, I can see why the stock has been flat. The company's goals to expand margin are ambitious, but if they succeed, that is what's going to make this a good investment. They have a ways to go to prove this model can work, but the good news is they have already shown progress. We're going to start watching the company very closely. [Perritt manages approximately \$800 million of client assets including two no-load mutual funds and also 150 separately managed accounts. Brian is an analyst for the mutual funds and investment advisors].

Don Ross, Vice President, Robert W. Baird: I hadn't paid much attention to CTS in several years. They've been below the radar screen but I can see they've been busy. I was very impressed with management. I like the margin story. The question is: can they pull it off? So far, so good. They've already put together several very good quarters in a rough economy. Based on what they've accomplished so far, especially the free cash

flow, this looks like a good buying opportunity and I'm ready to recommend it to several clients. So it was time well spent. I enjoyed the presentation, and it's thorough, but I think for a group situation, they could shorten it by about 30 percent. The CEO has to move through it pretty fast. If it concentrated on the most important things – headlines, if you will – and pace it a little slower, it would be easier to follow in a group setting.

Steve Kahn, Vice President, Rothschild Investment Corp.: It was a great presentation and the CEO outlined the story very clearly. The presentation had a little more detail than was needed in a group meeting – it was a little difficult to follow, but not a real problem. I have a client who has been a long-time holder of CTS and they've taken a hit on the stock. He'll be glad to hear about this revitalized approach. The margin discussion makes a lot of sense, and so does diversifying into new markets. I'm going to watch the stock but I think concern about the company's exposure to the passenger auto market, whether US, Japanese, Korean or Indian, is going to make people wary of the stock. Gas prices aren't going down. I don't think people will stop buying cars but I think it could delay any meaningful recovery for a long time. I could be wrong, but I'd be concerned that weak world demand for cars would have a negative impact on CTS.

Teri Olson, David A. Noyes & Company Securities: I owned CTS in the distant past. A lot of my clients owned it and, frankly, got bored with the lack of meaningful growth and dependence on low margin business. Mistakes made by past management didn't help, either. I went to the meeting looking for a catalyst that would spark some growth and get my clients excited. I really liked the expanded product lines and broader customer base. But these still seem like a very small part of the revenues. It gives CTS a higher risk company with big plans but not a very long track record. If I look at it that way, the stock isn't cheap. If I believe the company will do everything it says it will, then it's a buy. It was a good re-introduction to the company and CTS is back on my radar screen.

END

Luncheon Attendance

NAME	COMPANY	PHONE NUMBER
1. Donald Ross, SVP	Robert Baird	312-578-2660
2. Barry Mendel, President	Mendel Money Management	847-564-0970
3. Brian Gillespie, Analyst	Perritt Capital Management	312-669-1650
4. Jim Hinman, Wealth Advisor	Podesta & Company	312-899-0133
5. John Dawson, VP	Wunderlich Securities	312-368-8880
6. Jeff Mercer, Inv. Advisor	Wachovia Securities	312-648-4381
7. Tom Farrington, Inv. Advisor	LaSalle Street Securities	312-853-2820
8. Gordon Mark, SVP, Inv. Advisor	Morgan Stanley	312-827-6656
9. John Elwood, Inv. Advisor	RBC Wealth Management	312-559-1733
10. Thomas Hoffstetter, Inv. Advisor	M.B. Vick	312-827-6656
11. Mike Sheehan, Inv. Advisor	David A. Noyes & Company	312-606-4688
12. Teri Olsen, Inv. Advisor	David A. Noyes & Company	312-606-4652
13. Scott Kornick, Inv. Advisor	David A. Noyes & Company	312-346-3344
14. William Ross, Inv. Advisor	William Blair	312-236-1600
15. Ed Mucha	D. A. Noyes	312-346-3344
16. Ken Mauritzen, Inv. Advisor	Birklebach Securities	312-853-2820 x 111
17. Jonathan Radnor, Inv. Advisor	LaSalle Street Securities	312-705-3014
18. Michael Hamil, Inv. Advisor	LaSalle Street Securities	312-849-5813
19. Wendell Franklin, Inv. Advisor	LaSalle Street Securities	312-382-7000
20. Kevin Murphy	Chicago Investment Group	312-857-2051
21. Lee Kopulos, Investment Advisor	Birkelbach Securities	312-853-2820 x106
22. Rich Colbert, SVP, Wealth Advisor	Morgan Stanley	312-827-6529
23. Steve Kahn, VP	Rothschild Investment Corp.	312-983-8911
24. Andy Lam, Chief Inv. Officer	Corporate Investments Group	312-922-9900
25. Greg Romanczuk, Investment Advisor	Chicago Investment Group	312-857-2051
26. Justin Albert, VP	R.W. Baird & Co.	312-609-4995
27. Christopher McMahon, Managing Dir.	R.W. Baird & Co.	312-609-4983
28. Joan Goodman, Mg. Broker	Westminster Financial Co.	312-718-1048
29. John Locke, Investment Advisor	Chicago Investment Group	312-377-4774
30. Kevin Gildea, VP	Bear Stearns	312-580-4417

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