CTS CORP
Form S-3/A
August 17, 2004

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As filed with the Securities and Exchange Commission on August 17, 2004
Registration Statement No. 333-117826

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549-1004

AMENDMENT NO. 1
TO
FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CTS CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Indiana	**35-0225010**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

905 West Boulevard North
Elkhart, Indiana 46514
(574) 293-7511
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

Richard G. Cutter, III
905 West Boulevard North
Elkhart, Indiana 46514
(574) 293-7511
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies To:
Elizabeth C. Kitslaar, Esq.
Jones Day
77 West Wacker Drive
Chicago, Illinois 60601
(312) 782-3939

Approximate date of commencement of proposed sale to the public:
From time to time after this Registration Statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. The selling securityholders may not sell or offer these securities until the registration statement filed with the Securities and Exchange Commission is declared effective. This prospectus is not an offer to sell these securities, and neither we nor the selling securityholders are soliciting an offer to buy these securities, in any state where the offer and sale is not permitted.

PRELIMINARY PROSPECTUS

SUBJECT TO COMPLETION, DATED AUGUST 17, 2004

$60,000,000
(Aggregate Principal Amount)

CTS Corporation

2.125% Convertible Senior Subordinated Notes due 2024
and the Common Stock Issuable Upon Conversion of the Notes

We sold $60.0 million aggregate principal amount of our 2.125% Convertible Senior Subordinated Notes due 2024 in private transactions on May 11, 2004. Selling securityholders may use this prospectus to resell from time to time their notes and the shares of common stock issuable upon conversion and/or redemption of the notes, including the rights attached to the common stock as described in Description of Capital Stock.

The Notes

The notes bear interest at an annual rate of 2.125%, from May 11, 2004, the date of issuance, to May 1, 2024, payable on May 1 and November 1 of each year, commencing on November 1, 2004. The notes will mature on May 1, 2024, unless earlier converted, redeemed or repurchased.

The notes are convertible by holders into shares of our common stock initially at a conversion rate of 66.6667 shares of common stock per $1,000 principal amount of notes, which is equivalent to an initial conversion price of approximately $15.00 per share of common stock (subject to adjustment in specified events), only:

- during a conversion period, if, for at least 20 trading days in the 30 trading-day period ending on the first trading day of that conversion period, the closing sale price of our common stock exceeds 120% of the conversion price in effect on that 30th trading day;
- if we have called the notes for redemption; or
- upon the occurrence of specified corporate transactions, in each case as described in this prospectus.

Upon conversion of the notes, we may, in our discretion, in lieu of delivering shares of common stock, deliver cash or a combination of cash and shares of common stock.

The notes are our general unsecured senior subordinated obligations, ranking junior in right of payment to all our existing and future senior indebtedness, equally in right of payment with any future indebtedness that provides it is on parity with the notes and senior in right of payment to all of our existing and future subordinated indebtedness. In addition, the notes are effectively subordinated to any of our existing and future secured indebtedness to the extent of the assets securing such indebtedness and to the claims of all creditors of our subsidiaries.

We may redeem for cash all or a portion of the notes at any time, on or after May 1, 2009, upon at least 20 days notice at 100% of the principal amount of the notes plus any accrued and unpaid interest, including additional interest, if any, up to, but not including, the date of redemption.

Holders may require us to purchase for cash all or part of their notes on May 1, 2009, 2014 and 2019, or upon the occurrence of a fundamental change, as described in this prospectus, at a purchase price of 100% of the principal amount of the notes, plus accrued and unpaid interest, including additional interest, if any, up to, but not including, the date of purchase.

The notes are not listed on any securities exchange. Although the notes issued in the initial private placements are eligible for trading in the Private Offerings, Resales and Trading through Automated Linkages (PORTAL) Market, the notes sold using this prospectus will no longer be eligible for trading in The PORTAL Market.

The Common Stock

Our common stock is listed on the New York Stock Exchange under the symbol CTS. On August 11, 2004, the last reported closing price of our common stock was $10.59 per share.

Investing in the notes and the common stock issuable upon their conversion involves risks.
See the Risk Factors section beginning on page 10.

The notes and our common stock issuable upon their conversion have not been approved or recommended by any U.S. federal, state or foreign securities commission or regulatory authority. Furthermore, those authorities have not been requested to confirm the accuracy or determine the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2004.

This prospectus does not constitute an offer of, or an invitation to purchase, any of the notes or the common stock issuable upon their conversion in any jurisdiction in which, or to any person to whom, such offer or invitation would be unlawful. In making your investment decision, you should only rely on the information contained in or incorporated by reference into this prospectus. We have not authorized anyone to provide you with any other information. If you receive any unauthorized information, you must not rely on it. You should not assume that the information contained in or incorporated by reference into this prospectus is accurate as of any date other than the date on the front cover of this prospectus or the date of such incorporated information, as applicable. Neither the delivery of this prospectus nor any sales of the notes shall, under any circumstances, create any implication that there has been no change in the affairs of CTS Corporation after the date of this prospectus.

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NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

SPECIAL CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains or incorporates by reference forward-looking statements, including statements concerning the future of our industry, product development, business strategy, continued acceptance of our products, market growth and dependence on significant customers. These statements can be identified by the use of forward-looking terminology such as may, will, expect, anticipate, estimate, continue or other similar words. These statements guarantees of future performance and involve risks and uncertainties that are difficult to predict and are based on assumptions that may not prove to be accurate. Our actual results may differ significantly from those contained in any forward-looking statement. Examples of factors that may affect future results include, but are not limited to, rapid technological change, general market conditions in the automotive, computer and communications industries, reliance on key customers, the ability to protect our intellectual property, competitive factors, pricing pressures and demand for our products, risks associated with our international operations, including trade and tariff barriers, exchange rates and political and geopolitical risks and other factors discussed under the caption Risk Factors. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus to conform these statements to actual results or to changes in our expectations.

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PROSPECTUS SUMMARY

This summary highlights information more fully described in other parts of this prospectus and within the materials incorporated by reference in this prospectus. It is not complete and may not contain all of the information that you should consider before deciding whether or not to invest in the notes. You should read the entire prospectus carefully, including the documents incorporated by reference herein, the Risk Factors section beginning on page 10 and our consolidated financial statements and the related notes incorporated by reference in this prospectus.

CTS Corporation

Our Business

We are a global manufacturer of electronic components and sensors primarily for the automotive, computer and communications markets. Within the communications market, we design and manufacture products for both mobile handsets and wireline and wireless equipment, generally referred as communication infrastructure. We also offer specialized electronics manufacturing, design and supply-chain services to computer and communications original equipment manufacturers, or OEMs, as well as a growing number of industrial and medical OEMs. Founded in 1896, we are headquartered in Elkhart, Indiana and have engineering and manufacturing operations in North America, Asia and Europe.

We operate our business through two reportable segments: (1) Components and Sensors and (2) electronics manufacturing services, or EMS. Through our Components and Sensors segment, we design and manufacture a broad product line of components and sensors, principally electronic and electro-mechanical sensors and actuators used in cars and some commercial vehicles; electronic components used in mobile handsets and various products in the communications infrastructure and computer markets; switches, resistive technology based termination devices used in several electronic end markets, cursor control devices used in computer, consumer and industrial applications; and ceramic components and assemblies used in medical, industrial and other applications. Our principal customers in the Components and Sensors segment include OEMs in the automotive industry and their largest direct suppliers, known as Tier 1 suppliers, and OEMs and contract manufacturers in the computer and communications industries. Our automotive product manufacturing operations are located in the United States, Canada, Mexico, Scotland, Taiwan and China. Our electronic components manufacturing operations are located primarily in Asia, with some smaller operations in the United States.

Through our EMS segment, we assemble electronic and mechanical components into finished sub-assemblies, such as printed circuit board assemblies, and perform the final assembly of products under contract manufacturing agreements with OEMs. Our EMS segment also provides global supply-chain management services, such as the development and sourcing of required materials, the coordination of new product launches and transportation services. Our EMS segment serves OEMs in the computer and communications markets and, with increasing frequency, the networking, medical diagnostic and imaging, industrial and automotive industries. Our EMS operations are located in the United States, Scotland, Singapore and China.

Our Strategy

We focus on niche markets with growth potential where we believe our strengths in applications engineering, materials technology and manufacturing execution, as well as our global presence, position us to achieve profitability and growth by providing value that differentiates us from our competitors.

In our Components and Sensors segment, we focus on the following strategic initiatives:

Aggressively introduce innovative products. We have invested in research and development and enhanced our product development process to increase the rate at which we introduce new products. We also seek to increase opportunities to supply additional materials or labor services by providing end products that provide additional value to our customers. Our integrated accelerator pedal module is an example of a product with increased value. This product combines an accelerator pedal and our pedal position sensor in a single modular unit that electronically transmits accelerator motion to the automotive engine. The module sells for approximately two times the average price of our stand-alone pedal position sensors. Another example of products that provide greater value to customers is our line of crystal-based frequency control modules, which incorporate into high-level assemblies our precision frequency control electronic components, essentially timekeeping devices that determine the sequence of operations within electronic equipment. These modules sell for two to seven times the price of the frequency control components that form a part of the modules.

Expand our auto sensors business in Asia. While the market for automobiles in China is still small relative to North America and Europe, car sales in China grew by approximately 70% in 2003 to reach 2.1 million units. We believe that our significant infrastructure in Asia and our experience as a significant supplier of automotive sensors in North America and Europe position us to capitalize on the rapid growth in auto sales in China. In 2002 and 2003, we expanded our direct sales presence in Shanghai, China and Nagoya, Japan, and initiated automotive manufacturing operations in our facilities in Kaohsiung, Taiwan and Dongguan, China.

Broaden our customer base. We are focused on developing new customers and increasing our market penetration. Our sales engineers service our largest customers by designing and developing products to meet specific customer requirements. By maintaining sales offices in the United States, Scotland, China, Hong Kong, Japan, Taiwan and Singapore, we intend to create a global engineering presence that can respond to specific design needs from both new and existing customers around the world.

Pursue growth opportunities in the communications infrastructure market. We believe that our strong technology, extensive applications knowledge and ability to manufacture and deliver products and services in an efficient manner position us well to expand our market share in the communications infrastructure market. Recently, we capitalized on opportunities in this market through the introduction of our new line of crystal-based frequency control modules.

Consolidate electronic components manufacturing operations in Asia to lower costs. We have components and sensors production capabilities in the United States, Canada, Mexico, Scotland, Taiwan, China and Singapore. Since late 2001, we have consolidated our frequency control products and most of our ceramics components manufacturing operations in Asia, where we have significant manufacturing capabilities. The consolidation of operations in Asia has resulted in lower overhead and labor costs. To improve our manufacturing cost position further, we are continuing to transfer additional product manufacturing capacity to China.

Our EMS business model focuses on customers that produce a number of varied products, but with low or medium volumes in any particular product line or model. These customers require a full supply-chain capability, similar to their larger competitors. To grow this business, we have implemented the following key strategies:

Capitalize on our global manufacturing strengths and supply-chain capabilities. We believe that few of our EMS competitors offer integrated, global and full supply-chain services to customers that produce a number of varied products. The largest EMS providers typically focus on customers with very high volume and low product variation. Smaller EMS providers generally lack the broad supply-chain service capability and global presence desired by customers seeking an EMS provider that can grow with them.

Expand our customer base. We will continue to support large existing customers, such as Hewlett-Packard and Motorola, in the computing and communications markets, while seeking to expand and diversify our customer base. In particular, we intend to target OEMs in the medical, industrial and automotive markets, which have the high product mix and low to medium volumes requirements well suited to our EMS capabilities.

Expand geographically to better serve customers. We believe that our network of strategically positioned facilities can reduce costs, simplify and shorten an OEM s supply chain and reduce the time required to bring a product to market. We intend to pursue geographic expansion to support our global customers with cost-effective and timely delivery of quality products and services that they require worldwide, as well as to lower our manufacturing costs. In 2004, to meet the needs of a major customer, we extended our EMS capabilities into Singapore. We now deliver finished products for this customer from multiple locations.

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In addition, with respect to both our Components and Sensors and EMS segments, we intend to selectively pursue strategic acquisitions. We seek acquisitions that give us the opportunity to access new customers and markets, broaden our manufacturing and service capabilities and geographic presence, further develop our existing customer relationships or utilize excess capacity. We intend to evaluate and pursue acquisition opportunities on a selective and strategic basis.

Components and Sensors Products

We design, manufacture and sell electronic components and sensors that are primarily used within the automotive, computer and communications markets. The following is a description of some of our products:

Our automotive products include:

- sensors used in engine air and fuel management systems, such as throttle position and exhaust gas recirculation sensors;
- sensors used in position measurement systems, such as seat position sensors;
- integrated accelerator pedal modules, which transmit accelerator motion to the automotive engine;
- belt tension sensors, which measure seat belt tension to assist in proper airbag deployment;
- fuel level sensors, which provide accurate fuel level measurement; and
- active manifold actuators, which, when used in combination with our throttle position sensors, control engine airflow under dynamic engine conditions to improve performance and reduce emissions.

Our electronic components include:

- crystal-based frequency control components and assemblies, such as ovenized oscillators and frequency control modules used primarily in communications infrastructure applications;
- ceramic duplexers and filters used in mobile handsets and other communications applications;
- resistor technology based products, including high-density resistor arrays used as terminating devices in computing and electronic storage systems;
- human interface devices, such as cursor controls used in computers and games;
- various switches and potentiometers used in commercial and industrial applications; and
- ceramic components and assemblies used in various applications, such as ink jet printers, sonar applications and medical ultrasound equipment.

EMS

In our EMS segment, we design and build printed circuit assemblies and complex backplanes for high-end computing and communications equipment, primarily using components and materials designed and manufactured by other parties. Printed circuit assembly involves attaching electronic components, such as integrated circuits, capacitors, microprocessors, resistors and memory modules, to printed circuit boards. Printed circuit boards are made of laminated materials and contain electrical circuits and connections that interconnect and transmit electrical signals among the components that are assembled on the printed circuit boards. Backplanes are very large printed circuit boards that serve as the backbones of sophisticated electronics products and provide interconnections for printed circuit boards, integrated circuits and other electronic components.

We offer our EMS customers comprehensive and integrated design and manufacturing services, from initial product design to volume production and direct order fulfillment. In the EMS process, we provide specialized design and engineering services to our customers to complement their initial product development efforts; we work with our customers product development engineers to optimize product designs to improve the manufacturing efficiency and to reduce the manufacturing costs of these products; we build tests to identify product defects and failures; we build and test prototypes for our customers; and we provide final assembly and testing of our customers products.

Our Intellectual Property

We hold various United States and foreign patents relating to certain of the products which we have designed and manufactured, as well as certain of the processes and equipment used in our manufacturing technology. In addition, we have registered trademarks in the United States and various other countries throughout the world. For other proprietary processes, we rely primarily on trade secret protection. We believe that our success is not materially dependent on the existence or duration of any patent, group of patents or trademarks.

Recent Developments

On July 9, 2004, we announced that our board of directors authorized the repurchase of up to 1.0 million shares of our outstanding common stock, for cash, in the open market on the New York Stock Exchange and in privately negotiated transactions. The 1.0 million shares represents approximately 3% of our 36.1 million outstanding shares of our common stock as of July 9, 2004. As of August 11, 2004, we had repurchased 78,700 shares of our common stock under this repurchase plan.

Our business has improved considerably in recent months. Among other indications of this improvement:

- Sales increased by 17% for the six months ended June 27, 2004 from the six months ended June 29, 2003, due primarily to the implementation of our growth strategies and an economic upturn in our served markets.
- Reduced depreciation and other expenses attributable to the facilities we closed as a part of our restructuring initiatives and a general improvement in the management and allocation of our fixed costs have improved earnings.
- Our belt tension sensor has been selected for application on 15 vehicle models.
- Our new integrated accelerator pedal modules have captured positions in 22 vehicle models.
- Our automotive product sales in Asia increased from approximately $2 million in 2001 to over $10 million in 2003.
- Our EMS business continues to grow with nine new customers added in 2003, including customers from the medical, automotive and industrial markets.

Recent Restructuring Activities

In 2001, 2002 and 2003, we recorded restructuring and impairment charges of $40.0 million, $18.3 million and $4.6 million, respectively, primarily relating to our Components and Sensors segment. In 2003, we recorded an impairment charge to reduce the carrying value of certain assets in the Components and Sensors segment to their estimated fair value following the final production of previously announced discontinued products and a reassessment of the current market value of certain equipment held for sale. The 2001 and 2002 restructuring programs primarily involved the relocation and consolidation of certain manufacturing operations to realize operational improvements and realign our manufacturing capacity. Also, in 2001 and 2002, we recognized expenses of $10.7 million and $1.3 million, respectively, for inventory write downs, equipment relocation and other employee costs related to our restructuring initiatives. Of the restructuring and impairment charges and operating expenses described above,

$23.1 million involved the expenditure of funds, while the remainder were non-cash in nature. We completed these restructuring programs in 2003.

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We are incorporated in the State of Indiana. Our principal executive offices are located at 905 West Boulevard North, Elkhart, Indiana 46514. Our telephone number is (574) 293-7511. Our corporate web site address is www.ctscorp.com. The contents of our web site are not part of this prospectus.

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The Notes

The following summary contains basic information about the notes and is not intended to be complete. It does not contain all the information that will be important to a holder of the notes. For a more complete understanding of the notes, please refer to the section of this document entitled Description of Notes. For purposes of the description of the notes included in this prospectus, references to the Company, CTS, Issuer, us, we, and our refer only to CTS Corporation.

Issuer	CTS Corporation, an Indiana corporation.
Notes Offered	$60.0 million aggregate principal amount of 2.125% Convertible Senior Subordinated Notes due 2024.
Maturity Date	May 1, 2024, unless earlier repurchased, redeemed, or converted.
Interest	The notes bear interest at an annual rate of 2.125% from May 11, 2004, or from the most recent date to which interest has been paid or provided for, until, but not including, May 1, 2024, payable semi-annually in arrears on May 1 and November 1 of each year to holders of record at the close of business on the April 15 or October 15 immediately preceding such interest payment date. The first such interest payment date will be November 1, 2004. Interest generally will be computed on the basis of a 360-day year comprised of twelve 30-day months.
Ranking of Notes	The notes are our unsecured senior subordinated obligations, ranking: junior in right of payment to all of our existing and future senior indebtedness, including indebtedness under our existing senior secured credit facility; equally in right of payment with any future indebtedness that provides that it is on parity with the notes; and senior in right of payment to any of our existing and future subordinated indebtedness, including our 6 1/2% convertible subordinated debentures. The notes are effectively junior to any of our existing and future secured indebtedness to the extent of the assets securing such indebtedness and structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries.
Conversion Rights	The notes may be converted by the holder into shares of our common stock initially at a conversion rate of 66.6667 shares of common stock per $1,000 principal amount at issuance of notes, which is equivalent to an initial conversion price of approximately $15.00 per share of common stock (subject to adjustment in certain events), only:

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- during the period from and including the designated mid-point date in a fiscal quarter to, but not including, the designated mid-point date (or, if that day is not a trading day, then the next trading day) in the immediately following fiscal quarter (a conversion period), if on each of at least 20 trading days in the period of 30 consecutive trading days ending on the first trading day of the conversion period, the closing sale price of our common stock exceeded 120% of the conversion price in effect on that 30th trading day of such period. The designated mid-point date for each of our fiscal quarters are February 15, May 15, July 15 and November 15;

- if we have called the notes for redemption; or

- during prescribed periods, upon the occurrence of specified corporate transactions described in this prospectus.

Upon conversion, we will have the right to deliver, in lieu of shares of our common stock, cash or a combination of cash and shares of our common stock.

We may notify holders at any time that, with respect to the notes surrendered for conversion following the satisfaction of the condition specified in the first bullet point above, which we refer to as the common stock price condition, or, at such times as the conversion obligation exceeds the principal amount at issuance, following the occurrence of a fundamental change, we intend to settle the principal amount of the notes upon conversion in cash (the principal conversion settlement election). This notification, once provided to holders, is irrevocable and will apply with regard to any conversion of the notes during such time as the common stock price condition is satisfied or with respect to a conversion following the occurrence of a fundamental change. See Description of Notes Conversion Procedures Settlement Upon Conversion.

Except to the extent we make a principal conversion settlement election, we will not be required to notify holders of our method for settling its conversion obligation relating to the amount of the conversion value or, if we have made a principal conversion settlement election, the excess of our conversion obligation relating to the amount of the conversion value above the principal amount, if any, until notes are submitted for conversion.

Settlement in common stock only will occur as soon as practicable after we notify the holder that we have chosen this method of settlement. Settlement in cash or in a combination of cash and common stock will occur on the third trading day following the final day of a 20 trading day cash settlement averaging period beginning on the final trading day following the final day of a three business day conversion retraction period or, if no retraction period is applicable, the final trading day following the settlement notice period. See Description of Notes Conversion Procedures Settlement Upon Conversion.

Upon any conversion, you will not receive any cash payment representing accrued and unpaid interest.

Sinking Fund	None.
Optional Redemption	We may redeem for cash all or a portion of the notes at any time on or after May 1, 2009, at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest (including additional interest, if any) to, but not including, the redemption date.
Repurchase of Notes at a Holder s Option	Holders have the right to require us to purchase all or a portion of their notes for cash on May 1, 2009, May 1, 2014 and May 1, 2019. The purchase price payable will be equal to 100% of the principal amount of the notes to be purchased plus accrued and unpaid interest (including additional interest, if any) to, but not including, the purchase date.
Fundamental Change	In the event of a fundamental change, as described in this prospectus, holders will have the right to require us to purchase for cash all or any part of the notes at a purchase price equal to 100% of the principal amount plus any accrued and unpaid interest (including additional interest, if any) up to, but not including, the fundamental change purchase date. See Description of Notes Purchase of Notes at a Holder s Option Upon a Fundamental Change.
Book-Entry Form	The notes were issued in book-entry form and are represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company, or DTC, and registered in the name of a nominee of DTC. Beneficial interests in any of the notes are shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances. See Description of Notes Form, Denomination and Registration.
Trading	The notes issued in the initial private offering are eligible for trading in The PORTAL Market. However, notes sold using this prospectus will no longer be eligible for trading in The PORTAL Market.
New York Stock Exchange Symbol	The trading symbol for our common stock is CTS.
Use of Proceeds	We will not receive any of the proceeds from the sale by the selling securityholders of the notes or shares of Common Stock underlying the notes.

Risk Factors

An investment in the notes and the common stock issuable upon their conversion involves significant risks. You should carefully consider all the information included or incorporated by reference in this prospectus. In particular, you should evaluate the specific risk factors set forth under Risk Factors beginning on page 10.

Summary Consolidated Financial Data

The following table shows summary historical consolidated financial data for CTS Corporation and its subsidiaries. The data as of and for each of the three years ended December 31, 2003 were derived from our audited consolidated financial statements incorporated by reference herein. The data as of June 27, 2004 and for the six months ended June 29, 2003 and June 27, 2004 were derived from our unaudited consolidated financial statements incorporated by reference herein and include, in the opinion of management, all normal and recurring adjustments necessary to present fairly the data as of and for such periods. The results of operations for the six months ended June 27, 2004 are not necessarily indicative of the results to be expected for the year ended December 31, 2004. You should read the financial data set forth below in conjunction with our financial statements and notes thereto, and with Management s Discussion and Analysis of Financial Condition and Results of Operations included in, and other related portions of, our Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and our Quarterly Report on Form 10-Q for the fiscal quarter ended June 27, 2004.

	Year Ended December 31,			Six Months Ended	
	2001	**2002**	**2003**	**June 29, 2003**	**June 27, 2004**
	(In thousands, except per share amounts)				
Statement of Operations Data:					
Net sales	$ 577,654	$ 457,804	$ 462,987	$ 222,466	$ 259,771
Costs of goods sold	466,363	366,775	366,275	176,863	206,245
Selling, general and administrative expenses	86,979	63,337	56,857	27,471	31,499
Research and development expenses	32,762	24,118	21,476	11,031	9,557
Restructuring and impairment charges	40,039	18,343	4,563		
Gain on sale of assets					(3,067)
Operating earnings (loss)	(48,489)	(14,769)	13,816	7,101	15,537
Interest expense	(12,775)	(10,240)	(7,688)	(3,871)	(3,123)
Interest income and other	773	1,209	120	175	(184)
Earnings (loss) before income taxes	(60,491)	(23,800)	6,248	3,405	12,230
Income tax expense (benefit)	(15,116)	(5,950)	(6,327)	851	2,813
Net earnings (loss)	$ (45,375)	$ (17,850)	$ 12,575	$ 2,554	$ 9,417
Net earnings (loss) per diluted share	$ (1.61)	$ (0.54)	$ 0.36	$ 0.07	$ 0.26
Cash Flow Data:					
Cash provided by (used in):					
Operating activities	$ 65,852	$ 22,449	$ 25,098	$ 6,889	$ 4,708

Investing activities	(66,913)	(10,024)	(5,054)	(634)	12,823
Financing activities	(6,324)	(18,229)	(5,374)	(9,156)	4,668
Depreciation and amortization	51,674	43,373	33,605	17,321	14,009
Capital expenditures	77,654	12,833	9,044	4,485	6,213
Other Data:					
Ratio of earnings to fixed charges(1)			1.6	1.7	3.9

	As of December 31,			As of June 27,
	2001	**2002**	**2003**	**2004**
		(In thousands)		
Balance Sheet Data:				
Total debt	$152,513	$ 95,350	$ 75,880	$ 85,000
Total shareholders equity	242,873	265,020	294,191	302,704

(1) The ratio of earnings to fixed charges is computed by dividing earnings by fixed charges. Earnings consist of earnings (loss) from continuing operations before income taxes plus fixed charges. Fixed charges consist of interest expense and the portion of operating rental expense management believes represents the interest component of rent expense. The pre-tax loss from continuing operations for the years ended December 31, 2001 and 2002 was not sufficient to cover fixed charges by a total of approximately $60.5 million and $23.8 million, respectively. As a result, the ratio of earnings to fixed charges has not been computed for these periods.

RISK FACTORS

An investment in the notes, and the common stock issuable upon conversion of the notes, involves significant risks. You should carefully consider the following risk factors in conjunction with the other information contained and incorporated by reference in this prospectus before purchasing the notes.

Risks Related To Our Business

Because we currently derive a significant portion of our revenues from a small number of customers, any decrease in orders from these customers could have an adverse effect on our business, financial condition and operating results.

We depend on a small number of customers for a large portion of our business, and changes in the level of our customers orders have, in the past, had a significant impact on our results of operations. Our 15 largest customers represent a substantial portion of our sales, approximately 71% of net sales in 2003, 73% of net sales in 2002 and 75% of net sales in 2001. Our two largest customers are Hewlett-Packard Company and Motorola, Inc., which represented approximately 33% and 13%, respectively, of our net sales in 2003. If a major customer significantly cancels, delays or reduces the amount of business it does with us, there could be an adverse effect on our business, financial condition and operating results. Such adverse effect likely would be material if one of our largest customers significantly reduced its amount of business. Significant pricing and margin pressures exerted by a key customer could also materially adversely affect our operating results. In addition, we generate significant accounts receivable from sales to our major customers. If one or more of our largest customers were to become insolvent or otherwise unable to pay or were to delay payment for our services, our business, financial condition and operating results could be materially adversely affected.

Our customers have canceled and may in the future cancel their orders, change production quantities or locations or delay production.

We generally do not obtain firm, long-term purchase commitments from our customers, and we often experience reduced lead times in customer orders. Customers cancel their orders, change production quantities and delay production for a number of reasons. Uncertain economic and geopolitical conditions have resulted, and may continue to result, in some of our customers delaying the delivery of some of the products we manufacture for them and placing purchase orders for lower volumes of products than previously anticipated. Cancellations, reductions or delays by a significant customer or by a group of customers have harmed, and may continue to harm, our results of operations by reducing the volumes of products manufactured by us, as well as by causing a delay in the recovery of our expenditures for inventory in preparation for customer orders and lower asset utilization resulting in lower gross margins. In addition, customers may require that manufacturing of their products be transitioned from one facility to another to achieve cost and other objectives. Such transfers result in inefficiencies and costs due to resulting excess capacity and overhead at one facility and capacity constraints and the inability to fulfill all orders at another.

In addition, we make significant decisions, including determining the levels of orders that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimates of customer requirements. The short-term nature of our customers commitments and the changes in demand for their products reduce our ability to estimate accurately future customer requirements. This makes it difficult to schedule production and maximize utilization of our manufacturing capacity. Anticipated orders may not materialize and delivery schedules may be deferred as a result of changes in demand for our products or our customers products. We often increase staffing and capacity, and incur other expenses to meet the anticipated demand of our customers, which cause reductions in our gross margins if customer orders are delayed or canceled. On occasion, customers require rapid increases in production, which may stress our resources and reduce margins. We may not have sufficient capacity at any given time to meet our customers demands. In addition, because many of our costs and operating expenses are relatively fixed over the short term, a reduction in customer demand harms our gross profit and operating income until such time as adjustments can be made to levels and structural costs.

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Because we derive a substantial portion of our revenues from customers in the automotive, computer and communications industries, we are susceptible to trends and factors affecting those industries as well as the success of our customers products.

Net sales to the automotive, computer and communications industries represent a substantial portion of our revenues. Factors negatively affecting these industries and the demand for their products also negatively affect our business, financial condition and operating results. Any adverse occurrence, including industry slowdown, recession, political instability, costly or constraining regulations, armed hostilities, terrorism, excessive inflation, prolonged disruptions in one or more of our customers production schedules or labor disturbances, that results in significant decline in the volume of sales in these industries, or in an overall downturn in the business and operations of our customers in these industries, could materially adversely affect our business, financial condition and operating results. For example, the trend toward consolidation in the computer and communications industries could result in a lower level of acceptance of our products, reduced product requirements, purchasing delays by combined entities or the loss of one or more customers. Also, the automotive industry is generally highly unionized and some of our customers have, in the past, experienced labor disruptions. Furthermore, the automotive industry is highly cyclical in nature and sensitive to changes in general economic conditions, consumer preferences and interest rates.

Our customers are primarily original equipment manufacturers, or OEMs, in the automotive, computer and communications industries. Our future sales are dependent on the success of our customers. Our customers may discontinue or modify products containing components that we manufacture or develop products requiring new manufacturing processes. In addition, the computer and communications industries are subject to rapid technological change and changes in demand for our products and services. If our customers are unable to develop products that keep pace with the changing technological environment, our customers products could lose market acceptance, and the demand for our products and services could decline significantly. If we are unable to offer technologically advanced, easily adaptable and cost-effective services in response to changing customer requirements, demand for our products and services will decline.

We may be unable to compete effectively against competitors in our Components and Sensors segment.

Our Components and Sensors segment is operated in highly competitive industries that are characterized by price erosion and rapid technological change. We compete against many domestic and foreign companies, some of which have substantially greater manufacturing, financial, research and development and marketing resources than we do. Additionally, many of our customers are seeking to consolidate their business among one or more preferred or qualified suppliers. If any customer becomes dissatisfied with our prices, quality or timeliness of delivery, among other things, it could award future business or even move existing business to our competitors. Moreover, some of our customers could choose to manufacture and develop particular components themselves rather than purchase them from us. Increased competition could result in price reductions, reduced profit margins and loss of market share, each of which could materially adversely affect our business, financial condition and operating results. In addition, some of our competitors have engaged, and may in the future engage, in merger and acquisition transactions. Consolidations by competitors are likely to create entities with increased market share, customer bases, proprietary technology, marketing expertise and sales force size. These developments may materially adversely affect our ability to compete against these competitors. We cannot assure you that our products will continue to compete successfully with our competitors products, including OEMs, many of which are significantly larger than us and have greater financial and other resources than we do.

We are subject to intense competition in the EMS industry.

We compete against many providers of electronics manufacturing services. Some of our competitors have substantially greater manufacturing and financial resources and in some cases have more geographically diversified international operations than we do. Our competitors, such as Benchmark Electronics, Inc., Solectron, Inc., Sanmina SCI Corporation and Teradyne, Inc., include both large global EMS providers and smaller EMS companies that often have a regional, product, service or industry specific focus. We also face competition from the manufacturing operations of our current and future OEM customers, which may elect to manufacture their own products internally rather than outsource the manufacturing to EMS providers. In addition, we could face competition in the future from other large global EMS providers, such as Celestica, Inc., Flextronics International Ltd. and Jabil Circuit, Inc., which currently provide services to some of our largest customers for different products. We may be at a competitive disadvantage with respect to price when compared to manufacturers with lower cost structures,

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particularly those with significant offshore facilities located where labor and other costs are lower. Competition may intensify further if more companies enter the markets in which we operate. Our failure to compete effectively could materially adversely affect our business, financial condition and operating results.

We may be unable to keep pace with rapid technological changes that could make some of our products or processes obsolete before we realize a return on our investment.

The technologies relating to some of our products have undergone, and are continuing to undergo, rapid and significant changes. Specifically, end markets for electronic components and assemblies are characterized by technological change, frequent new product introductions and enhancements, changes in customer requirements and emerging industry standards. The introduction of products embodying new technologies and the emergence of new industry standards could render our existing products obsolete and unmarketable before we can recover any or all of our research, development and commercialization expenses on capital investments. Furthermore, the life cycles of our products and the products we manufacture for others vary, may change and are difficult to estimate.

Our future success will depend upon our ability to develop and introduce new products and product enhancements on a timely basis that keep pace with technological developments and emerging industry standards and address increasingly sophisticated requirements of our customers. We have incurred, and expect to continue to incur, expenses typical of the electronics industry associated with research and development activities and the introduction and promotion of new products. There can be no assurance that the expenses incurred will not exceed research and development cost estimates or that new products will achieve market acceptance and generate sales sufficient to offset development costs. We also cannot assure you that we will not experience difficulties that could delay or prevent the successful development, introduction and marketing of these new products or product enhancements or that our new products or product enhancements will adequately meet the requirements of the marketplace and achieve market acceptance. There can be no assurance that products or technologies developed by others will not render our products non-competitive or obsolete. If we are unable, for technological or other reasons, to develop and market new products or product enhancements in a timely and cost-effective manner, our business, financial condition and operating results could be materially adversely affected.

We sell products to customers in cyclical industries, which are subject to significant downturns that could materially adversely affect our business, financial condition and operating results.

We sell products to customers in cyclical industries, which have experienced economic and industry downturns. These markets for our electronic components and sensors and electronics manufacturing services products have softened and may continue to soften in the future. We incurred sizeable net losses in each of 2001 and 2002 of approximately $45.4 million and $17.9 million, respectively. We may face reduced end-customer demand, underutilization of our manufacturing capacity, changes in our revenue mix and other factors that could adversely affect our results of operations in the near term. We cannot predict whether we will achieve profitability in future periods.

Deterioration of revenues and earnings, beyond current levels, could have a negative effect on our business, financial condition and operating results. This could also have a negative effect on the price of our common stock and the notes and could also make it difficult for us to service our debt, including our obligations under the notes, our credit facility and our 6 1/2% convertible subordinated debentures, and comply with the covenants in our credit facility and other agreements governing our indebtedness. Violation of the covenants in our credit facility could require substantial fees to our banks until the violation is corrected. In the event the violation cannot be corrected, all of the indebtedness under our credit facility, the 6 1/2% convertible subordinated debentures and the notes, as well as certain other indebtedness, may be accelerated. If our indebtedness is accelerated, we cannot be certain that we will have sufficient funds to pay the accelerated indebtedness or that we will have the ability to refinance the accelerated indebtedness on terms favorable to us or at all.

Our operating results vary significantly from period to period.

We experience fluctuations in our operating results. Some of the principal factors that contribute to these fluctuations are:

- changes in demand for our products and services;

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our effectiveness in managing manufacturing processes, costs and timing of our component purchases so that components are available when needed for production, while mitigating the risks of purchasing inventory in excess of immediate production needs;

the degree to which we are able to utilize our available manufacturing capacity;

changes in the cost and availability of labor and components, which often occur in the electronics manufacturing industry and which affect our margins and our ability to meet delivery schedules;

general economic and served industry conditions; and

local conditions and events that may affect our production volumes, such as labor conditions, political instability and local holidays.

In addition, due to the significant differences in the operating income margins in our two reporting segments, the mix of sales between our Components and Sensors segment and our EMS segment affect our operating results from period to period. We expect that operating income margins in our EMS business will decline in the near term due to continued pricing pressure from our customers. In addition, although our restructuring activities and relocation of some of our manufacturing operations to Asia should result in improved operating income margins in our Components and Sensors segment, we can provide no assurances that this will occur.

We may further restructure our operations, which may materially adversely affect our business, financial condition and operating results.

In 2001, 2002 and 2003, we recorded restructuring and impairment charges of $40.0 million, $18.3 million and $4.6 million, respectively, relating to costs incurred to effect operational improvements and related organizational realignments, primarily in our Components and Sensors segment. We completed these restructuring actions, including the relocation of certain manufacturing operations, in 2003. We may incur additional restructuring and impairment charges in the future if circumstances warrant. If we restructure our operations in the future and are unsuccessful in implementing our restructuring plans, we may experience disruptions in our operations and higher ongoing costs, which may materially adversely affect our business, financial condition and operating results.

We face risks relating to our international operations.

Because we have significant international operations, our operating results and financial condition could be materially adversely affected by economic, political, health, regulatory and other factors existing in foreign countries in which we operate. Our international operations are subject to inherent risks, which may materially adversely affect us, including:

political and economic instability in countries in which our products are manufactured;

expropriation or the imposition of government controls;

changes in government regulations;

export license requirements;

trade restrictions;

earnings expatriation restrictions;

exposure to different legal standards;

less favorable intellectual property laws;

health conditions and standards;

currency controls;

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- fluctuations in exchange rates;
- increases in the duties and taxes we pay;
- high levels of inflation or deflation;
- greater difficulty in collecting our accounts receivable and longer payment cycles;
- changes in labor conditions and difficulties in staffing and managing our international operations;
- limitations on insurance coverage against geopolitical risks, natural disasters and business operations; and
- communication among and management of international operations.

In addition, these same factors may also place us at a competitive disadvantage to some of our foreign competitors.

To respond to competitive pressures and customer requirements, we may further expand internationally at lower cost locations, particularly in Asia. If we continue to expand in these locations, we may incur additional capital expenditures. We cannot assure you that we will realize the anticipated strategic benefits of our international operations or that our international operations will contribute positively to, and not adversely affect, our business, financial condition and operating results.

Furthermore, because a significant portion of our products is manufactured in Asia, primarily in China and Taiwan, any conflict or uncertainty in these countries, including public health or safety concerns, such as Severe Acute Respiratory Syndrome (SARS), or natural disasters, such as earthquakes, could have a material adverse effect on our business, financial condition and operating results. In addition, if the government of any country in which our products are manufactured or sold sets technical standards for products made in or imported into their country that are not widely shared, some of our customers may suspend imports of their products into that country, require manufacturers in that country to manufacture products with different technical standards or disrupt cross-border manufacturing partnerships, which, in each case, could materially adversely affect our business, financial condition and operating results.

We are exposed to fluctuations in foreign currency exchange rates that have adversely affected, and may continue to adversely affect, our business, financial condition and operating results.

We transact business in various foreign countries. We present our consolidated financial statements in U.S. dollars, but a portion of our revenues and expenditures is transacted in other currencies. As a result, we are exposed to fluctuations in foreign currencies. We have currency exposure arising from both sales and purchases denominated in currencies other than the U.S. dollar. Volatility in the exchange rates between the foreign currencies and the U.S. dollar could harm our business, financial condition and operating results. Furthermore, to the extent we sell our products in foreign markets, currency fluctuations may result in our products becoming too expensive for foreign customers. For example, our EMS business located in the United Kingdom sells primarily in U.S. dollars while most of the operating expenses and some material purchases are made in U.K. pound sterling. Accordingly, when the U.S. dollar weakens against the U.K. pound sterling, our EMS segment operating results generally worsen. As the U.S. dollar strengthens against the U.K. pound sterling and the Euro, our Components and Sensors segment operating results generally worsen. We also manufacture products in China, most of which we sell in U.S. dollars. An appreciation of the Chinese renminbi against the U.S. dollar would increase our expenses when translated into U.S. dollars.

If we are unable to protect our intellectual property or we infringe, or are alleged to infringe, on another person s intellectual property, our business, financial condition and operating results could be materially adversely affected.

The success of our business depends, in part, upon our ability to protect trade secrets, copyrights and patents, obtain or license patents and operate without infringing on the intellectual property rights of others. We rely on a combination of trade secrets, copyrights, patents, nondisclosure agreements and technical measures to protect our proprietary rights in our products and technology. The steps taken by us in this regard may not be adequate to prevent misappropriation of our technology. In addition, the laws of some foreign countries in which we operate do not protect our proprietary rights to the same extent as do the laws of the United States. Although we continue to evaluate and implement protective measures, we cannot assure you that these efforts will be successful. Our inability to protect our intellectual property rights could diminish or eliminate the competitive advantages that we derive from our technology, cause us to lose sales or otherwise harm our business.

We believe that patents will continue to play an important role in our business. However, we cannot assure you that we will be successful in securing patents for claims in any pending patent application or that any issued patent will provide us with any competitive advantage. We also cannot assure you that the patents will not be challenged by third parties or that the patents of others will not materially adversely affect our ability to do business.

We may become involved in litigation in the future to protect our intellectual property or because others may allege that we infringe on their intellectual property. These claims and any resulting lawsuit could subject us to liability for damages and invalidate our intellectual property rights. If an infringement claim is successfully asserted by a holder of intellectual property rights, we may be required to cease marketing or selling certain products, pay a penalty for past infringement and spend significant time and money to develop a non-infringing product or process or to obtain licenses for the technology, process or information from the holder. We may not be successful in the development of a non-infringing alternative, or licenses may not be available on commercially acceptable terms, if at all, in which case we may lose sales and profits. In addition, any litigation could be lengthy and costly and could materially adversely affect us even if we are successful in the litigation.

We are subject to a variety of environmental laws and regulations that expose us to potential financial liability.

Our operations are regulated by a number of federal, state, local and foreign environmental and safety laws and regulations that govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage and disposal of these materials. These laws and regulations include the Clean Air Act, the Clean Water Act, the Resource, Conservation and Recovery Act and the Comprehensive Environmental Response, Compensation and Liability Act, as well as analogous state and foreign laws. Compliance with these environmental laws is a major consideration for us because we use hazardous materials in our manufacturing processes. If we violate environmental laws or regulations, we could be held liable for substantial fines, damages, and costs of remedial actions. Our environmental permits could also be revoked or modified, which could require us to cease or limit production at one or more of our facilities, thereby materially adversely affecting our business, financial condition and operating results. Environmental laws and requirements, including environmental laws in the European Union and other foreign jurisdictions, have generally become more stringent over time and could continue to do so, imposing greater compliance costs and increasing risks and penalties associated with any violation, which also could materially affect our business, financial condition and operating results.

In addition, because we are a generator of hazardous wastes, even if we fully comply with applicable environmental laws and requirements, we may be subject to financial exposure for costs, including costs of investigation and any remediation, associated with contaminated sites at which hazardous substances from our operations have been stored, treated or disposed of. We may also be subject to exposure for such costs at sites that we currently own or operate or formerly owned or operated. Such exposure may be joint and several, so that we may be held responsible for more than our share of the contamination or even for the entire contamination.

We have been notified by the Environmental Protection Agency, state environmental agencies and, in some cases, generator groups that we are or may be a potentially responsible party regarding hazardous substances at several sites not owned or operated by us, as well as several sites that we own. Although we estimate our potential liability with respect to environmental violations or alleged violations and other environmental liabilities and reserve for such matters, we cannot assure you that our reserves will be sufficient to cover the actual costs that we incur as a result of these matters. We also cannot assure you that additional contamination will not be found in the future, either at sites currently known to us or at other sites. Any liability we may have for such matters could materially adversely affect our business, financial condition and operating results.

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We intend to explore acquisitions, joint ventures and other transactions that complement or expand our business. We may not be able to complete such transactions and such transactions, if executed, pose significant risks and may materially adversely affect our business, financial condition and operating results.

We intend to explore opportunities to buy other businesses or technologies that could complement, enhance or expand our current business or product lines or that might otherwise offer us growth opportunities. We may have difficulty finding such opportunities or, if we do identify such opportunities, we may not be able to complete such transactions for reasons including a failure to secure financing. Any transactions that we are able to identify and complete may involve a number of risks, including:

- the diversion of our management s attention from our existing business to integrate the operations and personnel of the acquired or combined business or joint venture;
- possible adverse effects on our operating results during the integration process; and
- our possible inability to achieve the intended objectives of the transaction.

In addition, we may not be able to successfully or profitably integrate, operate, maintain and manage our newly acquired operations or employees. We may not be able to maintain uniform standards, controls, procedures and policies, and this may lead to operational inefficiencies. In addition, future acquisitions may result in dilutive issuances of equity securities or the incurrence of additional debt.

We may experience raw material shortages and shortages of required electronic components, which could cause us to delay shipments to customers and reduce our business, financial condition and operating results.

In the past, from time to time, there have been shortages in certain raw materials used in the manufacture of our components and sensors and certain electronic components purchased by us and incorporated into assemblies and subassemblies. Unanticipated raw material or electronic component shortages may prevent us from making scheduled shipments to customers. Our inability to make scheduled shipments could cause us to experience a shortfall in revenue, increase our costs and adversely affect our relationship with affected customers and our reputation as a reliable service provider. Raw material and electronic component shortages may also increase our cost of goods sold because we may be required to pay higher prices for raw materials or electronic components in short supply and order such raw materials or electronic components in greater quantities to compensate for variable delivery times. As a result, raw material or electronic component shortages could adversely affect our operating results for a particular period due to the resulting revenue shortfall and increased costs.

Our credit facility and the agreements governing our 6 1/2% convertible subordinated debentures contain provisions that could materially restrict our business.

Our credit facility contains a number of significant covenants that, among other things, limit our ability to:

- dispose of assets;
- incur additional debt (including pursuant to capital leases);
- guarantee third-party obligations;
- repay other debt or amend subordinated debt instruments;
- create liens on assets;

make investments, loans or advances;

make acquisitions or engage in mergers or consolidations;

make capital expenditures; and

engage in certain transactions with our subsidiaries and affiliates.

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In addition, under our credit facility, we are required to meet a number of financial ratios and tests.

The agreements governing our 6 1/2% convertible subordinated debentures contain covenants that, among other things, limit our ability to:

- pay dividends on, redeem or repurchase capital stock;
- make payments with respect to any indebtedness that ranks junior to our 6 1/2% convertible subordinated debentures; and
- engage in certain transactions with our subsidiaries and affiliates.

The restrictions contained in our credit facility and in the agreements governing our 6 1/2% convertible subordinated debentures could limit our ability to plan for or react to market conditions or meet capital needs or could otherwise restrict our activities or business plans. These restrictions could adversely affect our ability to finance our operations, strategic acquisitions, investments or other capital needs or to engage in other business activities that could be in our interests.

Our ability to comply with these covenants may be affected by events beyond our control. If we breach any of these covenants or restrictions, it could result in an event of default under our credit facility, the agreements governing our 6 1/2% convertible subordinated debentures, the indenture for the notes or documents governing any other existing or future indebtedness. A default, if not cured or waived, may permit acceleration of our indebtedness. In addition, our lenders could terminate their commitments to make further extensions of credit under our credit facility. If our indebtedness is accelerated, we cannot be certain that we will have sufficient funds to pay the accelerated indebtedness or that we will have the ability to refinance accelerated indebtedness on terms favorable to us or at all.

Loss of our key management and other personnel, or an inability to attract such management and other personnel, could materially affect our business.

We depend on our senior executive officers and other key personnel to run our business. We do not have long-term retention contracts with our key personnel. The loss of any of these officers or other key personnel could adversely affect our operations. Competition for qualified employees among companies that rely heavily on engineering and technology is at times intense, and the loss of qualified employees or an inability to attract, retain and motivate additional highly skilled employees required for the operation and expansion of our business could hinder our ability to conduct research activities successfully and develop marketable products.

Risks Related to the Notes and the Common Stock into which the Notes are Convertible

Our indebtedness may adversely affect our financial health.

In connection with the sale of the notes, we incurred $60.0 million of indebtedness. As of August 11, 2004, our debt balance was $94.6 million, consisting of $60.0 million of notes, $25.0 million of 6 1/2% convertible subordinated debentures, $9.0 million of borrowings under our revolving credit facility and $ 0.6 million of borrowings under a foreign credit facility. The level of our indebtedness could, among other things:

- make it difficult for us to make payments on the notes;
- increase our vulnerability to general economic and industry conditions, including recessions;

require us to use cash flow from operations to service our indebtedness, thereby reducing our ability to fund working capital, capital expenditures, research and development efforts and other expenses;

limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;

place us at a competitive disadvantage compared to competitors that have less indebtedness; and

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- limit our ability to borrow additional funds that may be needed to operate and expand our business.

In addition, our credit facility and our 6 1/2% convertible subordinated debentures contain financial and other restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default, which, if not cured or waived, could result in the acceleration of our indebtedness.

We will require a significant amount of cash to service our indebtedness and to fund planned capital expenditures, research and development efforts and other corporate expenses.

Our ability to make payments on our indebtedness, including the notes, and to fund planned capital expenditures, research and development efforts and other corporate expenses will depend on our future operating performance and on economic, financial, competitive, legislative, regulatory and other factors. Many of these factors are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to pay our indebtedness, including the notes, or to fund our other needs.

If we are unable to generate sufficient cash flow to enable us to pay our indebtedness, we may need to pursue one or more alternatives, such as:

- reducing our operating expenses;
- reducing or delaying capital expenditures or research and development;
- selling assets; and
- raising additional equity capital.

Any reduction in operating expenses, reduction or delay in capital expenditures, or sale of assets may materially and adversely affect our future revenue prospects. In addition, we cannot assure you that we will be able to raise additional equity capital on commercially reasonable terms or at all. Finally, we cannot assure that any of the above actions would provide sufficient cash to repay our indebtedness, including the notes.

There are no covenants in the indenture for the notes restricting our ability or the ability of our subsidiaries to incur future indebtedness.

The indenture governing the notes does not contain any financial or operating covenants or restrictions on the incurrence of indebtedness by us or any of our subsidiaries. We may therefore incur additional debt without limitation, including secured indebtedness and indebtedness of our subsidiaries, to which the notes are effectively subordinated. If we or any of our subsidiaries incur additional indebtedness, the related risks that we and they now face may intensify.

The notes are subordinated in right of payment to our existing senior indebtedness and to all of our future senior indebtedness.

The notes are our general unsecured senior subordinated obligations. The notes rank junior in right of payment to all of our existing and future senior indebtedness, other than future indebtedness that expressly provides that it ranks equally with, or subordinated in right of payment to, the notes. As of August 11, 2004, we had $9.0 million of senior indebtedness outstanding under our revolving credit facility and $0.6 million of senior indebtedness outstanding under a foreign credit facility. We may incur from time to time up to $55.0 million of senior secured indebtedness at any time outstanding under our revolving credit facility, subject to compliance with the financial covenants in the credit facility. Such indebtedness will rank senior in right of payment to the notes. The indenture for the notes does not limit our ability to incur additional indebtedness.

As a result of the subordination of the notes, upon any distribution to creditors in a bankruptcy, liquidation, reorganization or similar proceeding relating to us or our property, the holders of senior indebtedness will be entitled to be paid in full before any amounts owed under the notes may be paid. Our assets may not be sufficient to assure payment for the notes after such payment.

We may not pay any amount owed under the notes, including by way of repurchase, redemption or retirement, if a payment default has occurred with respect to our senior indebtedness until the senior indebtedness is repaid in full or the holders of the senior indebtedness consent to the payment. In addition, all payments on the notes, including any repurchase, redemption or other retirement of the notes, may be blocked for up to 179 of 360 consecutive days in the event of specified non-payment defaults on senior indebtedness. However, notwithstanding the preceding, unless the holders of our designated senior indebtedness shall have accelerated the maturity of such designated senior indebtedness, we may resume payments on the notes after the end of the payment blockage period.

The notes are effectively subordinated to all of our secured indebtedness and to all indebtedness and other liabilities of our current and future subsidiaries.

The notes are general unsecured obligations and are effectively subordinated to all of our current and future secured indebtedness to the extent of the assets securing the indebtedness. As of August 11, 2004, we had $9.0 million of secured indebtedness outstanding under our revolving credit facility. We may incur from time to time up to $55.0 million of senior secured indebtedness at any time outstanding under our revolving credit facility, subject to compliance with the financial covenants in the credit facility. The indenture for the notes does not limit our ability to incur additional secured indebtedness. In the event of bankruptcy, liquidation or reorganization or upon acceleration of our secured indebtedness and in certain other events, our assets will be available to pay our obligations under the notes only after all secured indebtedness has been paid. As a result, there may not be sufficient assets remaining to pay amounts due on any or all of the notes.

In addition, the notes are structurally subordinated to all indebtedness and other liabilities of our current and future subsidiaries. You will not have any claim as a creditor against our subsidiaries, and indebtedness and other liabilities, including trade payables, of our subsidiaries will effectively be senior to your claims against our subsidiaries. As of June 27, 2004, our subsidiaries had outstanding liabilities of approximately $58.1 million, exclusive of the guarantees of our obligations under our credit facility by some of our domestic subsidiaries. The indenture for the notes does not limit the ability of our subsidiaries to incur additional indebtedness or other liabilities. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment on their claims from assets of our subsidiaries before any assets are made available for distribution to us.

Upon conversion of the notes, we may pay cash or a combination of cash and shares of our common stock in lieu of issuing shares of our common stock. Therefore, you may receive no shares of our common stock or fewer shares than the number into which your notes are convertible.

We may elect to satisfy our conversion obligations under the notes by issuing to holders (1) shares of common stock, (2) the cash value of the common stock into which the notes are convertible or (3) a combination of cash and common stock. In certain circumstances, we will be obligated to fulfill our conversion obligations under the notes with respect to the principal amount of the notes, by paying the cash value of common stock into which the notes are convertible. Accordingly, on conversion of a note, you may not receive any shares of our common stock, or you may receive fewer shares of common stock relative to the conversion value of the note, and cash. If we deliver cash rather than shares of common stock on conversion of notes, our liquidity may be adversely affected.

If we pay holders cash or a combination of cash and common stock upon conversion of the notes, settlement will be delayed.

Upon conversion, if we elect to settle in cash or a combination of cash and our common stock, there will be a significant delay in settlement. In addition, because the amount of cash or common stock that a holder will receive in these circumstances will be based on the sales price of our common stock for an extended period between the conversion date and such settlement date, holders will bear the market risk with respect to the value of the common stock for such extended period. See Description of Notes Conversion Procedures Settlement Upon Conversion.

Some significant corporate transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the notes.

Upon the occurrence of a fundamental change, which includes specified change of control events, we will be required to offer to repurchase all outstanding notes. See Description of Notes Purchase of Notes at a Holder s Option Upon a Fundamental Change. The fundamental change provisions, however, will not require us to offer to repurchase the notes in the event of some significant corporate transactions. For example, various transactions, such as leveraged recapitalizations, refinancings, restructurings or acquisitions initiated by us, would not constitute a change of control and, therefore, would not constitute a fundamental change requiring us to repurchase the notes. Other transactions may not constitute a change of control because they do not involve a change in voting power or beneficial ownership of the type described in the definition of change of control. Accordingly, you may not have the right to require us to repurchase your notes in the event of a significant transaction that could increase the amount of our indebtedness, adversely affect our capital structure or any credit ratings or otherwise adversely affect the holders of notes.

In addition, a change of control includes a sale of all or substantially all of our properties and assets. Although there is limited law interpreting the phrase substantially all, there is no precise established definition of the phrase under the laws of New York, which govern the indenture and the notes, or under the laws of Indiana, our state of incorporation. Accordingly, your ability to require us to repurchase notes as a result of a sale of less than all of our properties and assets may be uncertain.

We may not have the funds necessary to purchase the notes upon a fundamental change or other purchase date and our ability to purchase the notes in such events may be limited.

On May 1, 2009, May 1, 2014 and May 1, 2019, holders of the notes may require us to purchase their notes for cash. In addition, holders may also require us to purchase their notes upon a fundamental change as described under Description of Notes Purchase of Notes at a Holder s Option Upon a Fundamental Change. Our ability to repurchase the notes in such events may be limited by law, and by the terms of other indebtedness, including the terms of senior indebtedness, we may have outstanding at the time of such events. If we do not have sufficient funds, we will not be able to repurchase your notes. If a repurchase event occurs, we expect that we would require third-party financing to repurchase the notes, but we cannot assure you that we would be able to obtain that financing on favorable terms or at all. Our failure to repurchase tendered notes at a time when the repurchase is required by the indenture would constitute a default under the indenture. In addition, a default under the indenture or a fundamental change, in and of itself, could lead to a default under our credit facility and other existing and future agreements governing our indebtedness. In these circumstances, the subordination provisions in the indenture governing the notes may limit or prohibit payments to you. If, due to a default, the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness or repurchase the notes.

The conversion rate of the notes may not be adjusted for all dilutive events, including third-party tender or exchange offers that may adversely affect the trading price of the notes or our common stock issuable upon conversion of the notes.

The conversion rate of the notes is subject to adjustment upon specified events, including specified issuances of stock dividends on our common stock, issuances of rights or warrants, subdivisions, combinations, distributions of capital stock or assets, cash dividends and issuer tender or exchange offers as described under Description of Notes Conversion Procedures Conversion Rate Adjustments. The conversion rate will not be adjusted upon other events, such as third-party tender or exchange offers, that may adversely affect the trading price of the notes or our common stock.

If we pay cash dividends on our common stock, you may be deemed to have received a taxable dividend without the receipt of cash.

If we pay cash dividends on our common stock and there is a resulting adjustment to the conversion rate, a note holder could be deemed to have received a taxable dividend subject to U.S. federal income tax without the receipt of any cash. See Certain U.S. Federal Income Tax Considerations.

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Our notes are not rated and may receive a lower rating than investors anticipate, which could cause a decline in the trading volume and market price of the notes and our common stock.

The notes are not rated. If, however, one or more rating agencies rates the notes and assigns a rating lower than the rating expected by investors, or reduces any rating in the future, the trading volume and market price of the notes and our common stock may be adversely affected.

If the notes become eligible for conversion, our earnings per share on a diluted basis could decrease as a result of the inclusion of all of the shares into which the notes are convertible in the calculation of such earnings.

The holders of the notes are entitled to convert the notes into shares of our common stock (or cash or a combination of cash and common stock, if we so elect), if, among other circumstances, during the period from and including the designated mid-point date in a fiscal quarter (February 15, May 15, August 15 and November 15) to, but not including, the designated mid-point date in the immediately following fiscal quarter, the closing sale price of our common stock for at least 20 trading days in any 30 consecutive trading day period exceeds 120% of the conversion price in effect on that 30th trading day. Unless this or another event that causes the notes to become convertible has occurred and is continuing, the shares into which the notes are convertible will not be included in the calculation of our basic or diluted earnings per share under generally accepted accounting principles. Should the notes become convertible, diluted earnings per share would be expected to decrease as a result of the inclusion of all of the underlying shares in the diluted earnings per share calculation in accordance with generally accepted accounting principles.

There is no active market for the notes, so you may have difficulty selling the notes.

There is no established trading market for the notes. Although the notes issued in the private placements are eligible for trading on the Nasdaq s screen-based automated trading system known as PORTAL, the notes sold using this prospectus will no longer be eligible for trading in The PORTAL Market. We do not intend to apply for listing of the notes on any securities exchange or to arrange for quotation on any automated dealer quotation system. As a result, a final active trading market for the notes may not develop. If a final active trading market does not develop or is not maintained, the market price and liquidity of the notes may be adversely affected. In that case, you may not be able to sell your notes at a particular time or you may not be able to sell your notes at a favorable price.

Further, the liquidity of, and the trading market for, the notes may be adversely affected by many factors, including prevailing interest rates, the markets for similar securities, general economic conditions, our financial condition, performance and prospects and general declines or disruptions in the market for non-investment grade debt.

The price of our common stock has been volatile and may continue to fluctuate significantly, which may depress the price of the notes and result in losses for investors.

The market price for our common stock has been and may continue to be volatile. From January 1, 2003 to August 11, 2004 the sale price of our common stock ranged from a low of $4.90 per share to a high of $15.85 per share. We expect our stock to continue to be subject to fluctuations as a result of a variety of factors, including factors beyond our control. These include:

- conditions in our industries and our customers businesses such as competition, demand for products and services, and technological advances;

- changes in our revenues and earnings, including as a result of restructuring programs;

changes in market valuations of related companies;

announcements by us or our competitors of new products or technical innovations or of significant acquisitions, strategic partnerships or joint ventures;

general conditions in equity markets, particularly in our industries;

general U.S. and worldwide economic conditions;

changes in our customer base, including any loss of a major customer, a significant increase or decrease in business from a major customer or changes in our contracts with customers;

introduction and market acceptance of our customers new products and changes in demand for our customers existing products;

effectiveness in managing our manufacturing processes and related assets, including our inventory and fixed assets;

adverse or unfavorable publicity regarding us or our products or services;

additions or departures of key personnel;

changes in financial estimates by securities analysts and deviations in revenues or earnings from levels expected by securities analysts; and

future sales of common stock.

We may fail to meet expectations of our stockholders or of analysts at some time in the future, and our stock price, and therefore the price of our notes, could decline as a result.

In addition, sales of a substantial number of shares of our common stock in the public market or the appearance that such shares are available for sale, could adversely affect the market price for our common stock.

Anti-takeover provisions could delay, deter or prevent a change in control.

We are an Indiana corporation subject to Indiana state law. Some provisions of Indiana law could interfere with or restrict takeover bids or other change in control events affecting us. One statutory provision prohibits, except under specified circumstances, us from engaging in any mergers, sale of assets, recapitalizations and reverse stock splits with any stockholder who owns 10% or more of our common stock or any affiliate of the stockholder. Also, provisions in our articles of incorporation, bylaws, and other agreements to which we are a party, could delay, deter or prevent a change in control of CTS, even if a change in control would be beneficial to shareholders. We have opted out of Indiana s control share acquisition provisions, which restrict the voting rights of shares acquired in transactions which cause the beneficial owner of the shares to exceed specified ownership thresholds. We could, however, by action of our board of directors, elect to have those provisions apply. In addition, we have a shareholder rights agreement that under certain circumstances would significantly impair the ability of third parties to acquire control of us without prior approval of our board of directors.

In addition, our articles of incorporation allow us to issue up to an additional 22.3 million shares of common stock and 25.0 million shares of preferred stock without shareholder approval. Our board of directors has the authority to determine the price and terms under which the additional common or preferred stock may be issued. Issuance of this common and preferred stock could make it more difficult for a third party to acquire control of CTS.

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CAPITALIZATION

The following table sets forth our actual capitalization as of June 27, 2004, which reflects the proceeds from our sale of notes in the initial private placements and the application of the net proceeds to redeem our industrial revenue bonds and repay amounts outstanding under our revolving credit facility. You should read this information together with the Selected Consolidated Financial Data section of this prospectus and our consolidated financial statements, including the related notes, incorporated by reference in this prospectus.

	June 27, 2004
	Actual
	(In thousands)
Borrowings under revolving credit facility(1)	$
2.125% Convertible Senior Subordinated Notes due 2024	60,000
6 1/2% Convertible Subordinated Debentures due 2007(2)	25,000
Shareholders equity:	
Preferred stock, without par value; authorized and unissued 25,000,000 shares	
Common stock, without par value; authorized 75,000,000 shares; issued 52,640,014 shares(3)	263,040
Additional paid-in capital	21,812
Retained earnings	270,677
Accumulated other comprehensive earnings	846
Less: Treasury stock; 16,568,326 shares	(253,671)
Total shareholders equity	302,704
Total capitalization	$ 387,704

(1) We may incur from time to time up to $55.0 million of senior secured indebtedness under our revolving credit facility, subject to compliance with the financial covenants in our credit facility.

(2) The 6 1/2% convertible subordinated debentures mature on April 15, 2007. At any time on or after April 15, 2005, the holders may require us to redeem the 6 1/2% convertible subordinated debentures at a price of 100% of the principal amount plus accrued interest.

(3) As of June 27, 2004, there were outstanding options to purchase an aggregate of 1,706,475 shares of our common stock at a weighted average price of $16.84 per share, of which options for approximately 735,000 shares were exercisable. Approximately 8,101,375 shares of common stock are reserved for issuance pursuant to stock option, stock purchase and incentive plans, including the shares subject to the outstanding options and restricted stock unit awards.

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USE OF PROCEEDS

All sales of the notes or common stock issuable upon conversion of the notes will be by or for the account of the selling securityholders listed in this prospectus or any prospectus supplement. We will not receive any proceeds form the sale by any selling securityholder of the notes or the common stock issuable upon conversion of the notes.

RATIO OF EARNINGS TO FIXED CHARGES

Set forth below is information concerning our ratio of earnings to fixed charges on a consolidated basis for the periods indicated. This ratio shows the extent to which our business generates enough earnings after the payment of all expenses other than interest to make the required interest payments on the notes.

For purposes of computing the ratios of earnings to fixed charges, earnings consist of income from continuing operations before income taxes and fixed charges. Fixed charges consist of interest on all indebtedness and an interest factor attributable to rentals.

	Year Ended December 31,					Six Months Ended June 27,
	1999	**2000**	**2001**	**2002**	**2003**	**2004**
	(In thousands, except for ratios)					
Fixed Charges:						
Interest expense	$ 9,944	$ 13,050	$ 12,775	$ 10,240	$ 7,688	$ 3,123
Portion of rental expense deemed to represent interest	1,124	1,598	2,024	2,456	2,271	1,159
Total fixed charges	$ 11,068	$ 14,648	$ 14,799	$ 12,696	$ 9,959	$ 4,282
Earnings:						
Income (loss) from continuing operations	$ 51,468	$ 84,331	$ (45,375)	$ (17,850)	$ 12,575	$ 9,417
Income taxes	22,587	32,796	(15,116)	(5,950)	(6,327)	2,813
Fixed charges	11,068	14,648	14,799	12,696	9,959	4,282
Total earnings (loss) for computation of ratio	$ 85,123	$ 131,775	$ (45,692)	$ (11,104)	$ 16,207	$ 16,512
	7.7	9.0			1.6	3.9

Ratio of earnings to fixed charges (1)

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(1) The pre-tax loss from continuing operations for the years ended December 31, 2001 and 2002 was not sufficient to cover fixed charges by a total of approximately $60.5 million and $23.8 million, respectively. As a result, the ratio of earnings to fixed charges has not been computed for these periods.

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PRICE RANGE OF OUR COMMON STOCK AND DIVIDEND POLICY

The following table shows for the periods indicated the high and low sales prices for our common stock as reported by the New York Stock Exchange and dividends paid per share on our common stock.

Fiscal Year Ended	Price Range of Common Stock High	Price Range of Common Stock Low	Cash Dividends
December 31, 2002:			
First Quarter	$17.60	$12.90	$0.03
Second Quarter	19.56	10.80	0.03
Third Quarter	12.50	4.30	0.03
Fourth Quarter	9.00	3.65	0.03
December 31, 2003:			
First Quarter	$ 8.85	$ 4.90	$0.03
Second Quarter	11.10	5.76	0.03
Third Quarter	14.71	10.01	0.03
Fourth Quarter	14.94	10.75	0.03
December 31, 2004:			
First Quarter	$15.85	$11.60	$0.03
Second Quarter	14.80	9.90	0.03(1)
Third Quarter (through August 11, 2004)	12.82	10.21	0.03(2)

(1) On April 28, 2004, our Board of Directors announced a regular quarterly dividend of $0.03 per share, payable July 30, 2004, to shareholders of record at the close of business on June 25, 2004.

(2) On July 28, 2004, our Board of Directors announced a regular quarterly dividend of $0.03 per share, payable October 29, 2004, to shareholders of record at the close of business on September 24, 2004.

Our common stock is traded on the New York Stock Exchange under the symbol CTS. The closing sales price of our common stock on August 11, 2004 was $10.59 per share. As of August 11, 2004, there were 1,516 holders of record of our common stock. This number does not include all beneficial owners of our common stock held in the name of a nominee or in street name account.

Our board of directors has the power to determine the amount and frequency of the payment of dividends. Decisions regarding whether or not to pay dividends and the amount of any dividends are based on compliance with agreements governing our indebtedness, earnings, cash requirements, results of operations, cash flows, financial condition and other factors that the board of directors considers important. Our credit facility permits us to pay regular quarterly dividends in amounts not in excess of $0.03 per share. Although we currently anticipate that dividends consistent with our past practice will continue, we cannot assure you that dividends will be paid in future periods in any particular amount, or at all.

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SELECTED CONSOLIDATED FINANCIAL DATA

The following table shows selected historical consolidated financial data for CTS Corporation and its subsidiaries. The data as of and for each of the five years ended December 31, 2003 were derived from our audited consolidated financial statements. The data as of June 27, 2004 and for the six months ended June 29, 2003 and June 27, 2004 were derived from our unaudited consolidated financial statements and include, in the opinion of management, all normal and recurring adjustments necessary to present fairly the data for such periods. The results of operations for the six months ended June 27, 2004 are not necessarily indicative of the results to be expected for the year ended December 31, 2004.

Detailed historical financial information is included in the audited consolidated balance sheets as of December 31, 2002 and 2003 and the related consolidated statements of operations, stockholders equity and cash flows for each of the years in the three-year period ended December 31, 2003 included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2003, filed on February 20, 2004, and the unaudited consolidated interim balance sheet as of June 27, 2004, and the related consolidated statements of operations and cash flows for the six months ended June 29, 2003 and June 27, 2004 included in our Quarterly Report on Form 10-Q for the fiscal quarter ended June 27, 2004, filed on July 21, 2004, incorporated by reference in this prospectus. You should read the following summary consolidated financial data together with the Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and our Quarterly Report on Form 10-Q for the fiscal quarter ended June 27, 2004, and with our historical consolidated financial statements, including the related notes, in each case incorporated by reference in this prospectus.

	Year Ended December 31,					Six Months Ended	
	1999	2000	2001	2002	2003	June 29, 2003	June 27, 2004
	(In thousands, except per share amounts)						
Statement of Operations Data:							
Net sales	$ 677,076	$ 866,523	$ 577,654	$ 457,804	$ 462,987	$ 222,466	$ 259,771
Costs of goods sold	471,543	605,598	466,363	366,775	366,275	176,863	206,245
Selling, general and administrative expenses	84,449	99,712	86,979	63,337	56,857	27,471	31,499
Research and development expenses	25,348	32,583	32,762	24,118	21,476	11,031	9,557
Acquired in-process research and development expenses	12,940						
Restructuring and impairment charges			40,039	18,343	4,563		
Gain of sales on assets							(3,067)
Operating earnings	82,796	128,630	(48,489)	(14,769)	13,816	7,101	15,537

Interest expense	(9,944)	(13,050)	(12,775)	(10,240)	(7,688)	(3,871)	(3,123)
Interest income	865	846	744	396	357	150	335
Other	338	701	29	813	(237)	25	(519)
Earnings (loss) before income taxes	74,055	117,127	(60,491)	(23,800)	6,248	3,405	12,230
Income tax expense (benefit)	22,587	32,796	(15,116)	(5,950)	(6,327)	851	2,813
Earnings (loss) from continuing operations	51,468	84,331	(45,375)	(17,850)	12,575	2,554	9,417
Net loss from discontinued operations		529					
Net earnings (loss)	$ 51,468	$ 83,802	$ (45,375)	$ (17,850)	$ 12,575	$ 2,554	$ 9,417
Earnings (loss) per share-diluted:							
Continuing operations	$ 1.80	$ 2.94	$ (1.61)	$ (0.54)	$ 0.36	$ 0.07	$ 0.26
Discontinued operations		(0.02)					
Net earnings (loss) per share-diluted	1.80	2.92	(1.61)	(0.54)	0.36	0.07	0.26
Cash Flow Data:							
Cash provided by (used in):							
Operating activities	$ 55,693	$ 110,855	$ 65,852	$ 22,449	$ 25,098	$ 6,889	$ 4,708
Investing activities	(104,627)	(126,338)	(66,913)	(10,024)	(5,054)	(634)	12,823
Financing activities	57,375	12,569	(6,324)	(18,229)	(5,374)	(9,156)	4,668
Depreciation and Amortization	33,907	44,325	51,674	43,373	33,605	17,321	14,009
Capital expenditures	32,896	119,216	77,654	12,833	9,044	4,485	6,213
Other Data:							
Ratio of earnings to fixed charges(1)	7.7	9.0			1.6	1.7	3.9

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	As of December 31,					As of June 27,
	1999	2000	2001	2002	2003	2004
	(In thousands)					
Balance Sheet Data:						
Cash and equivalents	$ 24,219	$ 20,564	$ 13,255	$ 9,225	$ 25,346	$ 48,199
Total assets	522,652	672,929	567,931	490,032	482,250	512,080
Short-term notes payable	7,428	7,397				
Current maturities of long-term debt	5,000	10,000	27,500	28,350		
Long-term debt	162,000	178,000	125,013	67,000	75,880	85,000
Total debt	174,428	195,397	152,513	95,350	75,880	85,000
Shareholders equity	164,764	246,357	242,873	265,020	294,191	302,704

(1) The ratio of earnings to fixed charges is computed by dividing earnings by fixed charges. Earnings consist of earnings (loss) from continuing operations before income taxes plus fixed charges. Fixed charges consist of interest expense and the portion of operating rental expense management believes represents the interest component of rent expense. The pre-tax loss from continuing operations for the years ended December 31, 2001 and 2002 was not sufficient to cover fixed charges by a total of approximately $60.5 million and $23.8 million, respectively. As a result, the ratio of earnings to fixed charges has not been computed for these periods.

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DESCRIPTION OF OTHER INDEBTEDNESS

The following summarizes the terms of our most significant existing indebtedness. We are not restricted from incurring future debt under the indenture. The notes rank junior in right of payment to all of our existing and future senior indebtedness, including our senior secured credit facility, equally in right of payment with any future indebtedness that provides it is on parity with the notes and senior in right of payment to all of our existing and future subordinated indebtedness, including our 6 1/2% convertible subordinated debentures, as described under Description of Notes Ranking of Notes.

Credit Facility

On July 14, 2003, we entered into a new credit facility, which provides for revolving loans in an aggregate principal amount of up to $55.0 million. The credit facility also includes a $10.0 million sublimit available for the issuance of letters of credit and a $7.0 million sublimit for swingline loans. As of August 11, 2004, we had an outstanding balance under our credit facility of approximately $9.0 million. Interest rates on the borrowings under the credit facility fluctuate based on LIBOR or the applicable base rate. We pay a commitment fee on the undrawn portion of the credit facility. The commitment fee varies based on performance under certain financial covenants and is currently 0.375 percent per annum. Amounts of the revolving loans repaid can be reborrowed, subject to the terms of the credit facility. The maturity date of the credit facility is July 14, 2006.