



THE HORTON FUND

Identifying opportunities to partner with management
of quality, under-appreciated publicly-traded companies

CPSH: The Status Quo is Unacceptable

April 2017

This is not a solicitation of authority to vote your proxy. The Horton Fund is not asking for your proxy card and will not accept proxy cards if sent. Please DO NOT send us your proxy card.

Horton still believes CPS Technologies has Potential

We are convinced of the long-term opportunity for CPS

Horton invested in CPS Technologies because of its proven technology, participation in high growth industries, and the opportunity to better leverage the Company's current infrastructure to expand margins.

Significant growth opportunities in a variety of application areas serving large and growing markets

Reputation and history as a high quality, market responsive manufacturer with top notch, demanding customers

Platform for additional product application categories through internal R&D or M&A

Margin expansion as Company benefits from learning curve, scale and process requirements

Company's expansion into new international markets such as Japan, Israel and China

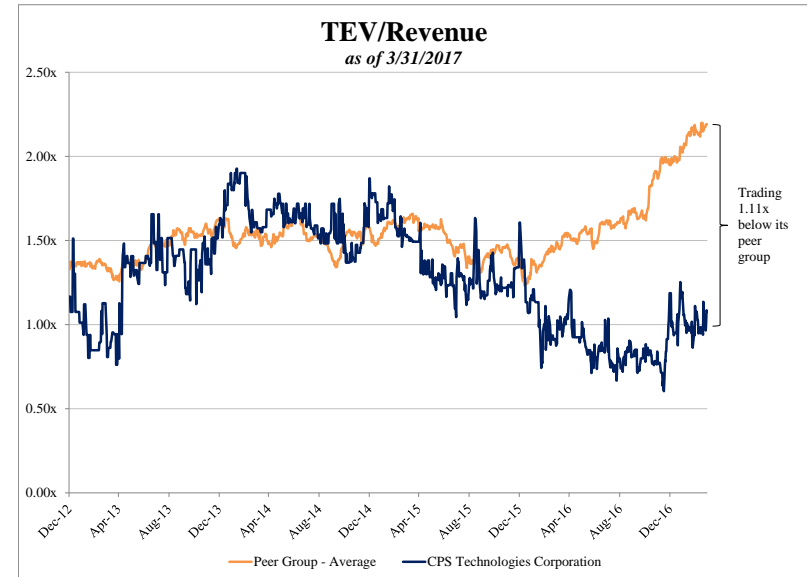
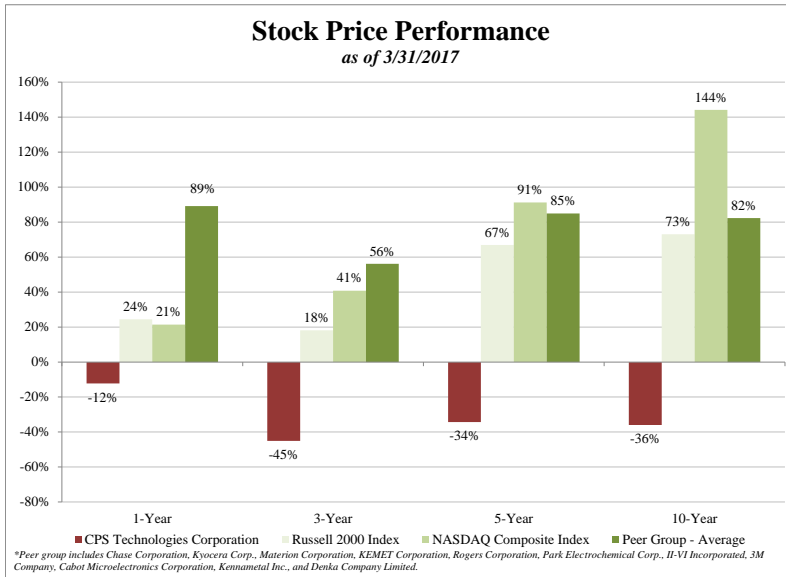
Underappreciated by public markets

and Horton has made every effort over 3+ years to be helpful and collaborative

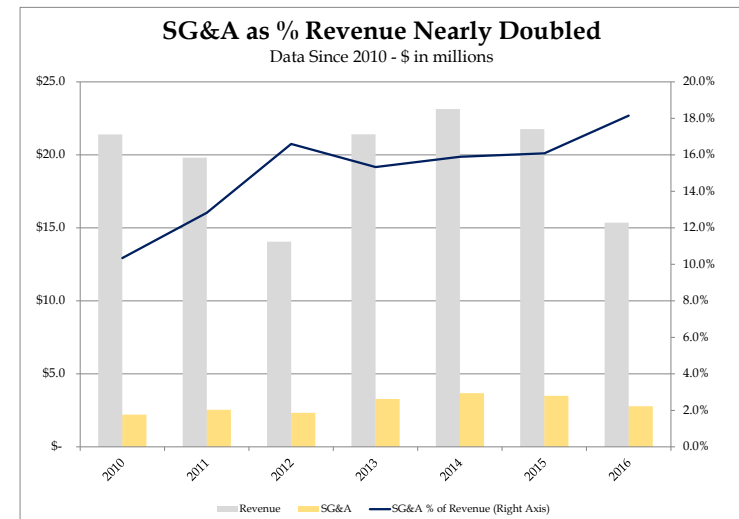
Since first contact in Q3 2013, Horton's activities have included:

- *Visited the company 6x*
- *Suggested numerous highly qualified BOD candidates*
- *Proposed over 20 potential M&A partners*
- *Attended industry conferences to gain industry perspective*
- *Introduced QA/QC vendor for frac ball product*
- *Introduced potential additive manufacturing partner*
- *Introduced potential digital marketing vendor*
- *Introduced potential significant customer relationship*
- *Introduced potential supply chain partner*

Despite CPS's Poor Performance



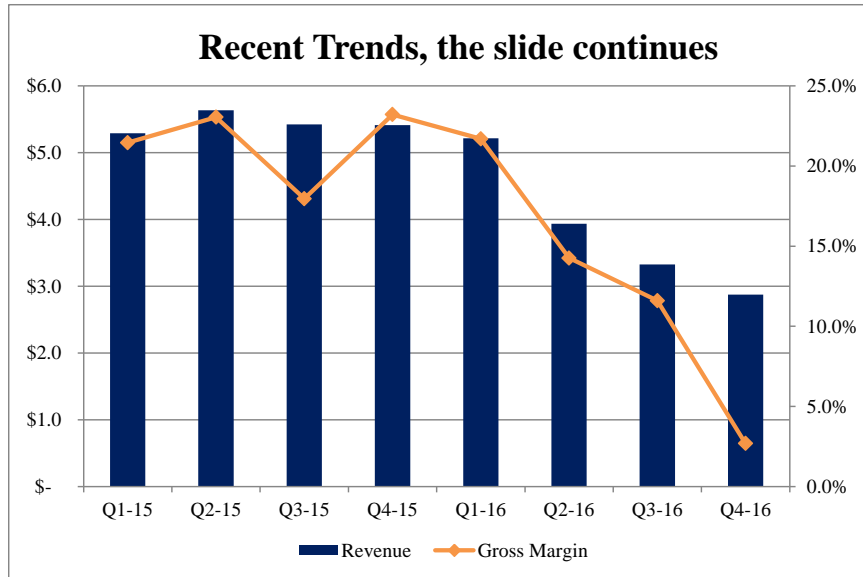
- *Despite participating in high growth (+15% CAGR) markets, CPS has suffered declines in revenue and share price. In fact, **CPS's relative underperformance to its peer group is more than 100% over the last 1, 3, 5 and 10-year periods***
- *While Horton is held at bay by the Board and management, CPS lost a major contract and shareholder value continues to erode.*
- *CPS's revenue valuation has declined as shareholders lose confidence and patience*
- *New initiatives have been reactive, slow and ineffective. Unfortunately, over the past 6 years, SG&A as a percent of revenue has nearly doubled while revenue performance has been morose*



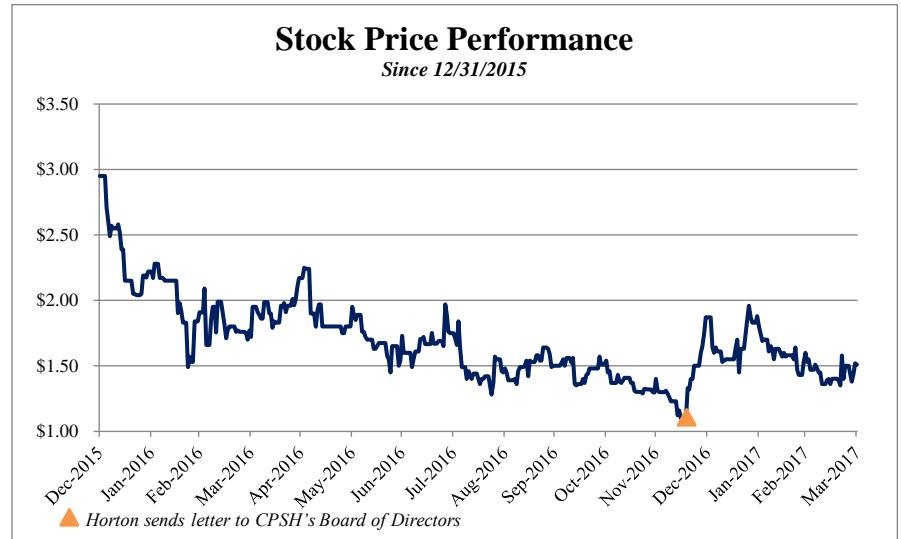
Source: Capital IQ

Performance has Swooned and Shareholder Value has been Destroyed

Poor Company Performance:



Poor Investor Returns:



- **“There are no accolades for surviving”** ... one shareholder’s comment during the most recent earnings call
- Management continues to blame external factors for its poor performance as it resists pleas for change and transparency
- The BOD should hold management and itself more accountable and link compensation to tangible, measurable, reportable results
- Over the past 3 years (2014 thru 2016,) shareholders have lost \$18 million in market capitalization while the executive team and the Board have received over \$2 million in compensation (incl. equity consideration)

Source: Capital IQ

Confidential & Proprietary – Not for Distribution

APEC 2017: Cause for Concern

- *Horton attended the 2017 IEEE Applied Power Electronics Conference (APEC) in March 2017*
- *APEC is the largest annual conference focused on the practical and applied aspects of power electronics, one of CPS's most important markets*
- *The Applied Power Electronics sector in general is exhibiting strong growth, driven in large part by improved devices (e.g., wide band gap devices, IGBTs and superjunction MOSFETs)*
- *Thermal management challenges becoming increasingly demanding as customers press for better overall performance (e.g., higher power capacity, miniaturization, faster switching)... a great opportunity for thermal management solutions firms such as CPS*
- *However, the winning firms in this space will need to offer a breadth of cost-effective solutions to customers*
- *After walking the floor at APEC, viewing CPS's booth and interacting with its competitors, it is clear that CPS is at risk of being behind on the price-performance curve and should take action to expand its application base and diversify its product portfolio*
- *Other industry participants are innovating quickly, expanding offerings up and down the value chain. For example, we observed that:*
 - *In addition to AlSiC, Denka offers a variety of technology solutions to meet customer needs and pricing requirements, such as Al Diamond, Al Nitride, and Si Nitride*
 - *Rogers's Advanced Connectivity Solutions group has developed more thermally efficient substrates which, in certain applications, would obviate the need for a baseplate all together in certain applications (a potential challenge to CPS)*



Source: Capital IQ

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Horton had to do something – CPS can't afford to be complacent

In December 2016, Horton finally wrote a letter to the Board of Directors expressing our frustration with the lack of performance, accountability, transparency and sense of urgency. Major themes of this letter were:

- 1. Adopt a More Proactive Strategic Plan, Improve Accountability and Instill a Sense of Urgency throughout CSP;*
- 2. Think outside the Box to become a Solution Provider, Reduce Costs and Win More Business;*
- 3. Evaluate Options for M&A (Buy or Sell);*
- 4. Survival Should Not be an End Goal;*
- 5. Grow the Business or Return the Cash; and*
- 6. Strengthen the Board of Directors.*

Never happy to just “complain”, Horton has offered to “roll up our sleeves” and assist in the execution of each initiative.

Link to the December Letter: <http://thehortonfund.com/wp-content/uploads/2016/12/cpsbodletter121616Final.pdf>

It Seems that Horton is Not Alone

Since publishing the December Letter, it is apparent that other frustrated shareholders were waiting for a lead:

- *We are surprised and encouraged by the amount of positive, unsolicited feedback that we received from other shareholders*
- *In total, including ourselves, we are aware of shareholders holding at least 25% of the outstanding shares who are disappointed by the Board's and Management's under-performance and want to see change*
- *Aside from Grant Bennett (CEO) and Francis Hughes (Board member), the executive management team and Board represent less than 4% of the shares outstanding – how can they claim that their interests are strongly aligned with shareholders' interests?*

It is clear that Horton is not a “lone wolf” – the outside shareholder base is frustrated and not supportive of the status quo.

...encouraged by the positive response, Horton has pressed on to present the voice of the outside shareholders.

Board Member	Tenure (years)	% Ownership
Grant C. Bennett (CEO)	25	11.4%
Francis J. Hughes	24	17.9%
Daniel C. Snow	8	0.0%
Thomas M. Culligan*	2	0.0%

**Independent director added in time to meet the NASDAQ up-listing requirements*

Executive Management (non-Board)	Tenure (years)	% Ownership
Ralph Norwood (CFO)	5	1.2%
Richard Adams (CTO)	29	2.3%

Reported Independent Shareholders >5%	% Ownership
Norman J. Wechsler	10.4%
Horton	5.0%

CPS Continues to Resist Change and Horton Continues to Push

We made multiple attempts to engage leadership in a constructive dialogue but the company has rebuffed our overtures each time.

Eventually Horton was informed that the company would not engage in any further “conversations” with us and was prepared to spend a significant amount of the shareholders’ funds to fight us in a potential proxy battle.

We remain extremely disappointed that the Company is so entrenched that it is willing to ignore one of its largest independent shareholders, and even willing to spend hundreds of thousands of dollars of shareholders’ capital to maintain the status quo.

After outright rejection by the Board of our suggested candidates and recognizing the concentration of insider ownership, we have withdrawn our formal nomination of Directors in an effort to avoid the company wasting significant shareholder money fighting reasonable advice.

*However, **we are not giving up on trying to improve CPS and encourage other shareholders to make their voice heard by voting.***

The Candidates Horton Proposed that CPS Deemed “Unfit”

Mitchell Herbets: Experience serving as an executive and board member in global technology companies and in depth knowledge of the technology sector would be a valuable asset to the Board.

- Chairman of Thales Defense and Security, Inc., a US based technology company serving the defense and federal markets with solutions for the ground tactical, airborne and avionics, and naval/maritime elements
- Member of Board of Directors of Wireless Telecom Group (NYSEMKT: WTT)
- Member of the Advisory Council of the Lehigh University Electrical and Computer Engineering Department
- President and Chief Executive Officer of Thales
- Captain with the U.S. Army
- Masters of Business Administration degree from the George Washington University, and a Bachelor of Science degree in electrical engineering from Lehigh University

Thomas Coffey: Extensive experience as a senior executive and board member, as well as proven expertise in strategic planning, capital management and M&A would make him a quality addition to the Board.

- Managing Director of Philly CFO providing part-time chief financial officer services to growth companies
- Member of the Board of Directors of X-Nav Technologies, LLC
- Director of Westmoreland Coal Co. (NASDAQ: WLB)
- Partner at B2B CFO Partners, LLC
- Vice President, Operations Analysis of Unisys Corporation (NYSE: UIS)
- Certified Public Accountant, Bachelor of Science degree in Accounting and Finance and Masters of Business Administration degree from Drexel University

Leo Linehan: Experience as an executive officer and innovator would provide the board with invaluable industry and operational expertise.

- Vice President and General Manager at MacDermid-Enthone Advanced Electronic Solutions, a division of MacDermid Performance Solutions, providing solutions for micro scale circuitry challenges
- Vice President and General Manager of Electronic Chemicals at OM Group Incorporated (NYSE:OMG)
- Several executive and management positions, including Business Group General Manager for Growth and Global General Manager for Advanced Packaging Technologies, at Dow Electronic Materials (formerly Rohm and Haas), a segment of the Dow Chemical Company (NYSE:DOW)
- Holds 14 issued U.S. patents in the fields of lithography, polymer dielectrics and plasma etch processes
- Bachelor of Science in Chemistry from Rochester Institute of Technology

Matthew Moynihan: Diverse managerial experience, technical depth, combined marketing and operations background, and integration skills would make him an strong asset to the Board.

- Global General Manager of the Metal Organic Technologies business which manufactures metal organic pre-cursors used in light-emitting-diodes for electronics and lighting industries at Dow Electronic Materials, a segment of the Dow Chemical Company (NYSE:DOW)
- Merger Integration Manager for Dow Electronic Materials working with DuPont Electronics and Communications, a segment of E. I. du Pont de Nemours and Company (NYSE: DD)
- Numerous technical and commercial leadership roles across various business segments at Dow, including Global Director of Engineering for Semiconductor Lithography Technologies and Global Director of Marketing and Research for Interconnect Technologies
- Holds 11 patents in the field of semiconductor wafer and printed wire board processing
- Bachelor of Science in Chemical Engineering from the University of New Hampshire, and Masters of Business Administration in Entrepreneurship from Babson College

Michael Howe: Experience as a senior manager at multiple global industrial companies and skills as a financial advisor, investor, investment banker and strategist would bring a unique perspective to the Board.

- Founding Senior Principal at The Horton Fund
- Managing Director at Mufson Howe Hunter & Company LLC, an investment banking firm specializing in financial advisory (M&A) and capital raising engagements for public and private corporations
- President and Director of Investment Banking at the Susquehanna International Group, LLP
- Investment Manager at Heights Capital Management, an affiliate of Susquehanna International Group, LLP
- Managing Director and Director of Research/Senior Analyst, Chair of Stock Selection Committee, Member of Commitment Committee, Investment Policy Committee and Director of Wheat First Securities/Butcher & Singer, now Wells Fargo Advisors, LLC (NYSE:WFC)
- Commercial and industrial experience includes engineering and finance positions held at General Electric Company (NYSE:GE), Leeds & Northrup/General Signal, and Honeywell International Inc. (NYSE:HON)
- Masters of Business Administration from the Wharton School of the University of Pennsylvania, Master of Science in Systems Engineering from the Moore School of the University of Pennsylvania, and Bachelor of Science in Electrical Engineering from Villanova University

Horton's Rationale for the Nomination

Perceived Gaps in CPS Board of Directors						
Manufacturing & Production	Executive Management	M&A	Capital Management	Capital Markets	Strategic Planning	Technology Management

Company Board Members

Grant Bennett		X			X	
Francis Hughes			X		X	
Daniel Snow					X	X
Thomas Culligan		X			X	

Horton Proposed Board Candidates

Mitchell Herbets	X	X	X			X	X
Thomas Coffey		X	X	X	X	X	X
Leo Linehan	X	X	X			X	X
Matthew Moynihan	X	X	X	X		X	X
Michael Howe	X	X	X	X	X	X	X

*Unfortunately, given the company's entrenched position and willingness to spend shareholder funds fighting positive suggestions, we had to withdraw our nominations. However, **the need is quite real and we plan to keep pushing for change.***

CPS Needs to Enter the 21st Century of Corporate Governance

Thankfully CPS did decide to take one of our suggestions to apply the majority voting standard in elections. However, there are many areas of corporate governance where the Company is woefully behind good corporate governance standards.

Horton suggests the following changes to align the company better with all shareholder interests and ISS guidelines:

Governance Issue	ISS Guideline / Best Practices	Current CPSH Structure
Voting Standard	A majority voting standard for uncontested elections	Added on 3/24/17 per Horton's Recommendation
Chairman	Yes, Chairman should be separate from CEO and be an independent director	No Chairman exists at Board
Formal Beneficial Ownership Targets	Attain substantive share ownership by a certain time after appt. to better align their interests with those of shareholders	None exist
Board Committees	Typically, a 3-committee system with Audit, Compensation and Nominating/Governance Committee	Only 2 committees: Audit Committee and Nominating/Compensation Committee (no Governance Committee)
Management Incentive Compensation and Equity Grants	Pay-for-performance alignment with emphasis on long-term shareholder value	Discretionary with no stated targets
Insider Trading	SEC requires disclosure of all insider trades through Form 4s, using the proper codes for each transaction	Preliminary proxy conflicts with the Form 4s filed by insiders, which indicate no open market purchases or sales

Make Your Voice Heard on May 5th

- *Vote “Against” for each of the current Directors at the upcoming shareholder meeting – it will send a message that shareholders are not satisfied with the status quo*
- *Call the company and express your frustration – we’ve heard from a lot of you directly, and the company should, too*
- *Encourage the company to improve its corporate governance*
- *Join us in Boston at the meeting on May 5th and let them know your concerns in person*

“...acting together, [owners] could effectively reform corporate governance at a given company, simply, by withholding their votes for directors...”

- Warren Buffett