

INTRICON CORP  
Form DEF 14A  
March 13, 2018

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

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

IntriCon Corporation

(Name of Registrant as Specified In Its Charter)

Not Applicable

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

Payment of Filing Fee (Check the appropriate box)

No fee required.

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

(2) Aggregate number of securities to which transaction applies:

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

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

INTRICON CORPORATION  
1260 Red Fox Road  
Arden Hills, Minnesota 55112

March 16, 2018

Dear Shareholder:

It is my great pleasure to invite you to attend the 2018 Annual Meeting of Shareholders (the “Annual Meeting”). The Annual Meeting will be held on Thursday, April 26, 2018 at 11:30 a.m., local time, at the Best Western Plus located at 1000 Gramsie Road, Shoreview, Minnesota 55126.

At this year’s Annual Meeting our shareholders will vote on the following:

the election of one director to hold office for a term of three years and until his successor is duly elected and qualified;

an advisory vote on executive compensation, referred to as “say-on-pay;” and

the ratification of the appointment of Baker Tilly Virchow Krause, LLP, as IntriCon Corporation’s independent registered public accounting firm for fiscal year 2018.

We are furnishing our Proxy Statement and other proxy materials to our shareholders over the Internet. The proxy materials are available at <https://materials.proxyvote.com/46121H>.

The vote of every shareholder is important. Therefore, whether or not you expect to attend the meeting in person, I urge you to vote in one of the following ways: (i) *over the Internet*: log on to [www.proxyvote.com](http://www.proxyvote.com) and follow the web site instructions; once you have cast your vote, be sure to click on “Accept Vote”; (ii) *by telephone*: you may call toll-free in the U.S. or Canada, 1-800-690-6903 on a touch-tone telephone; or (iii) *by proxy card*: sign and date the

accompanying proxy card and return it promptly in the envelope provided for that purpose. If you vote over the Internet or telephone, you do not need to return your proxy card.

Thank you for your continued interest in IntriCon Corporation. I look forward to seeing you at the Annual Meeting.

Sincerely,

Mark S. Gorder  
*President and Chief Executive Officer*

INTRICON CORPORATION  
1260 Red Fox Road  
Arden Hills, Minnesota 55112

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be held April 26, 2018

The 2018 Annual Meeting of Shareholders (the “Annual Meeting”) of IntriCon Corporation (the “Corporation”) will be held on Thursday, April 26, 2018 at 11:30 a.m., local time, at the Best Western Plus located at 1000 Gramsie Road, Shoreview, Minnesota 55126 for the following purposes:

- (1) to elect one director to hold office for a term of three years and until his successor is duly elected and qualified;
- (2) to hold an advisory vote on executive compensation, referred to as “say-on-pay”;
- (3) to ratify the appointment of Baker Tilly Virchow Krause, LLP as the Corporation’s independent registered public accounting firm for fiscal year 2018; and
- (4) to transact such other business as may properly come before the Annual Meeting or any of its adjournments or postponements.

The Board of Directors has fixed the close of business on February 21, 2018 as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof. If the Annual Meeting is adjourned because of the absence of a quorum, those shareholders entitled to vote who attend the adjourned Annual Meeting, although constituting less than a quorum as provided herein, shall nevertheless constitute a quorum for the purpose of electing directors. If the Annual Meeting is adjourned for one or more periods aggregating at least 15 days because of the absence of a quorum, those shareholders entitled to vote who attend the reconvened Annual Meeting, if less than a quorum as determined under applicable law, shall nevertheless constitute a quorum for the purpose of acting upon any other matter set forth in this Notice of Annual Meeting.

All shareholders are cordially invited to attend the meeting, but whether or not you expect to attend the meeting in person, we urge you to vote promptly using one of the following methods to ensure your vote is counted:

**over the Internet:** log on to [www.proxyvote.com](http://www.proxyvote.com) and follow the web site instructions; once you have cast your vote, be sure to click on “Accept Vote”;

**by telephone:** you may call toll-free in the U.S. or Canada, 1-800-690-6903 on a touch-tone telephone;

**by proxy card:** sign and date the accompanying proxy card and return it promptly in the envelope provided for that purpose; or

**in person:** if you are a shareholder of record as of the close of business on the Record Date, you may vote in person at the Annual Meeting and revoke any previously granted proxy.



If you vote over the Internet or by telephone, you will need your control number (your control number can be found on the Notice of Internet Availability of Proxy Materials and your proxy card). **The deadline to vote over the Internet or by telephone is Wednesday, April 25, 2018, 11:59 p.m., eastern daylight time.** If you vote over the Internet or by telephone, you do not need to return your proxy card.

If your shares are held in “street name” (that is, if your stock is registered in the name of your broker, bank, or other nominee), please contact your broker, bank or nominee to determine whether you will be able to vote over the Internet or by telephone.

**Important Notice Regarding the Availability of Proxy Materials for  
the Annual Meeting of Shareholders to be held on April 26, 2018**

In accordance with the rules of the Securities and Exchange Commission, instead of mailing a printed copy of our proxy materials to our shareholders, we have elected to furnish these materials by providing access to these documents over the Internet. Accordingly, on or about March 16, 2018, we will send a Notice of Internet Availability of Proxy Materials (“Notice of Internet Availability”) to our shareholders of record and beneficial owners informing them of the availability of our proxy materials online. The Notice of Internet Availability provides you with instructions regarding how to (i) view our proxy materials for the Annual Meeting on the Internet; (ii) vote your shares after you have viewed our proxy materials; and (ii) request a printed copy of the proxy materials. All shareholders have the ability to access this Proxy Statement, the proxy card and our Annual Report on Form 10-K at the following website:  
<https://materials.proxyvote.com/46121H>.

**Meeting directions are available by calling our executive offices at (651) 636-9770.**

By Order of the Board of Directors

Michael J. McKenna  
Chairman of the Board

March 16, 2018

Arden Hills, Minnesota



INTRICON CORPORATION  
1260 Red Fox Road  
Arden Hills, Minnesota 55112

## PROXY STATEMENT

This proxy statement and the accompanying proxy are being furnished to shareholders of IntriCon Corporation (the “Corporation”) in conjunction with the solicitation of proxies by the Board of Directors of the Corporation for use at the 2018 Annual Meeting of Shareholders (the “Annual Meeting”) to be held on Thursday, April 26, 2018 at the Best Western Plus located at 1000 Gramsie Road, Shoreview, Minnesota 55126, at 11:30 a.m., local time, and any adjournment or postponement of the Annual Meeting. This Proxy Statement and accompanying form of proxy are first being made available to shareholders on or about March 16, 2018.

The Board of Directors has fixed the close of business on February 21, 2018 as the record date for determination of the shareholders entitled to notice of and to vote at the Annual Meeting. As of February 21, 2018, there were 6,933,547 shares of common stock of the Corporation outstanding, each of which is entitled to one vote on all matters to be presented at the Annual Meeting.

Proxies in the form provided, if properly executed and received in time for voting, and not revoked, will be voted as directed on the proxies. If no directions to the contrary are indicated, the persons named in the proxy will vote all of your shares of common stock “**for**” the election of one nominee for director, “**for**” the approval of the compensation of our Named Executive Officers as described in this Proxy Statement and “**for**” the ratification of the appointment of Baker Tilly Virchow Krause, LLP as the Corporation’s independent registered public accounting firm for fiscal year 2018. With respect to any other matter that properly comes before the meeting, the proxy holders will vote the proxies in their discretion in accordance with their best judgment.

You may vote in one of the following ways:

**over the Internet:** log on to [www.proxyvote.com](http://www.proxyvote.com) and follow the web site instructions; once you have cast your vote, be sure to click on “Accept Vote”;

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**by telephone:** you may call toll-free in the U.S. or Canada, 1-800-690-6903 on a touch-tone telephone;

**by proxy card:** sign and date the accompanying proxy card and return it promptly in the envelope provided for that purpose; or

**in person:** if you are a shareholder of record as of the close of business on the Record Date, you may vote in person at the Annual Meeting and revoke any previously granted proxy.

If you vote over the Internet or by telephone, you will need your control number (your control number can be found on the Notice of Internet Availability of Proxy Materials and your proxy card). **The deadline to vote over the Internet or by telephone is Wednesday, April 25, 2018, 11:59 p.m., eastern daylight time.** If you vote over the Internet or by telephone, you do not need to return your proxy card.

Any shareholder who submits a proxy may revoke it at any time before the proxy is voted at the Annual Meeting by delivering a later dated proxy or by giving written notice to the Secretary of the Corporation or attending the Annual Meeting in person and so requesting. If you vote over the Internet or by telephone, you may change your vote by following the procedures used to submit your initial vote. The last vote received chronologically will supersede any prior votes. Attendance at the Annual Meeting will not by itself revoke a previously granted proxy.

The presence, in person or represented by proxy, of the holders of a majority of the outstanding shares of common stock will constitute a quorum for the transaction of business at the Annual Meeting. All shares of common stock present in person or represented by proxy (including “broker non-votes” described below) and entitled to vote at the Annual Meeting, no matter how they are voted or whether they abstain from voting, will be counted in determining the presence of a quorum. If the Annual Meeting is adjourned because of the absence of a quorum, those shareholders entitled to vote who attend the adjourned Annual Meeting, although constituting less than a quorum as provided herein, shall nevertheless constitute a quorum for the purpose of electing directors. If the Annual Meeting is adjourned for one or more periods aggregating at least 15 days because of the absence of a quorum, those shareholders entitled to vote who attend the reconvened Annual Meeting, if less than a quorum as determined under applicable law, shall nevertheless constitute a quorum for the purpose of acting upon any other matter set forth in the Notice of Annual Meeting.

Each share of common stock is entitled to one vote on each matter that may be brought before the Annual Meeting. Voting results will be determined as follows:

Proposal 1: the election of the director will be determined by a plurality vote and the nominees receiving the highest number of “for” votes will be elected.

Proposal 2: approval of the “say-on-pay” proposal will require the affirmative vote of a majority of the shares entitled to vote and present in person or represented by proxy at the Annual Meeting.

Proposal 3: the ratification of the appointment of the independent registered public accounting firm for fiscal year 2018 will require the affirmative vote of a majority of the shares entitled to vote and present in person or represented by proxy at the Annual Meeting.

Any other proposal will require the affirmative vote of a majority of the shares entitled to vote and present in person or represented by proxy at the Annual Meeting.

Under our Bylaws, an abstention will have the same legal effect as an “against” vote and will be counted in determining whether the proposal has received the required shareholder vote; however, a broker non-vote will have no effect on whether the proposal has received the required shareholder vote.

If you are a beneficial owner whose shares are held of record by a broker, bank or other nominee, you must instruct the broker, bank or other nominee how to vote your shares. If you do not provide voting instructions, your shares will not be voted on any proposal on which the broker, bank or other nominee does not have discretionary authority to vote. This is called a “broker non-vote.” In these cases, the broker, bank or other nominee can register your shares as being present at the Annual Meeting for

purposes of determining the presence of a quorum but will not be able to vote on those matters for which specific authorization is required. Your broker, bank or other nominee does not have discretionary authority to vote on the election of directors or the “say-on-pay” proposal without instructions from you, in which case a broker non-vote will occur and your shares will not be voted on these matters. Your broker, bank or other nominee does have discretionary voting authority to vote your shares on the ratification of the independent registered public accounting firm, even if the broker, bank or other nominee does not receive voting instructions from you. **In any event, it is particularly important that you instruct your broker as to how you wish to vote your shares.**

The cost of this solicitation will be borne by the Corporation. In addition to solicitation by mail, proxies may be solicited in person or by telephone, telegraph or teletype by officers, directors or employees of the Corporation, without additional compensation. Upon request, the Corporation will pay the reasonable expenses incurred by record holders of the Corporation’s shares of common stock who are brokers, dealers, banks or voting trustees, or their nominees, for mailing proxy materials to the beneficial owners of the shares they hold of record.

## PROPOSAL 1

### ELECTION OF DIRECTORS

The Board of Directors currently consists of five members divided into three classes. Each director serves a three-year term.

The Board of Directors, based upon the recommendation of the Nominating and Corporate Governance Committee, has nominated Nicholas A. Giordano for election as director at the Annual Meeting to serve until the 2021 annual meeting of shareholders and until his successor has been duly elected and qualified. Mr. Giordano is a current director of the Corporation and previously has been elected as a director by the Corporation's shareholders. Mr. Giordano has indicated his willingness to continue serving as a director. The Board of Directors knows of no reason why the nominee would be unable to serve as a director. If the nominee is unable to serve for any reason, then the proxies will be voted for the election of such substitute nominee as the Board of Directors may designate, unless the Board of Directors reduces the number of directors on the Board.

**The Board of Directors recommends that the shareholders vote “FOR” the election of Mr. Giordano as a director for a three year term.**

The Board of Directors seeks to ensure that it is composed of members of high character and integrity and whose particular experience, qualifications, attributes and skills, when taken together, will allow the Board of Directors to satisfy its oversight responsibilities effectively. As discussed below under “—Director Nomination Process,” director candidates are nominated by the Board of Directors upon recommendation by the Nominating and Corporate Governance Committee for election at the annual shareholders' meeting each year. In considering whether to recommend a director candidate, the Nominating and Corporate Governance Committee evaluates each individual in the context of the Board as a whole taking into account relevant factors including, among other things:

whether the director candidate has significant leadership experience and outstanding achievement in such director candidate's career field;

whether the director candidate has relevant expertise or experience and would be able to offer advice and guidance to management based on that expertise or experience;



whether the director candidate has the financial expertise or other professional, educational or business experience relevant to understanding to the Corporation's business;

whether the director candidate has sufficient time available to devote to the Corporation;

whether the director candidate has the ability to make independent, analytical inquiries and challenge management;

whether the director candidate will be committed to represent and advance the long-term interests of the Corporation's shareholders; and

whether the director candidate meets the independence requirements of Nasdaq.

The Nominating and Corporate Governance Committee does not have a formal policy regarding director diversity. The Nominating and Corporate Governance Committee believes that the directors

should encompass a range of experience, viewpoints, qualifications, attributes and skills in order to provide sound and prudent guidance on the Corporation's operations. The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria and no particular criteria is necessarily applicable to all prospective nominees.

Included in the director nominee's or current director's biography are the particular experiences, qualifications, attributes or skills that led the Board to the conclusion that each director nominee or director should serve as a director of the Corporation. Each director brings a strong and unique background and set of skills to the Board, giving the Board as a whole competence and experience. We believe all of our directors have integrity and honesty and adhere to high ethical standards. They have each demonstrated business acumen and an ability to exercise sound judgment, as well as commitment of service to the Corporation and the Board.

The following table sets forth certain information concerning the nominee and the persons whose terms as directors will continue after the Annual Meeting.

#### **Nominee for Election**

Name, Age (as of February 21, 2018) and Occupation	Director Since	Term Expires
<b>Nicholas A. Giordano</b> (75) became a director in December 2000. Mr. Giordano has been a business consultant and investor since 1997. Mr. Giordano was Interim President of LaSalle University from July 1998 to June 1999. From 1981 to 1997, Mr. Giordano was President and Chief Executive Officer of the Philadelphia Stock Exchange. Mr. Giordano serves as a trustee of Wilmington Funds, a mutual fund, and as a director of Independence Blue Cross of Philadelphia, a health insurance company, and The RBB Fund, Inc., a mutual fund. Mr. Giordano also served as a trustee of the Kalmar Pooled Investment Trust, mutual fund, from 2000 to 2017, and as a director of Commerce Bancorp, Inc. in 2007-2008.	2000	2018

Mr. Giordano's financial and investment background provides the Corporation with perspective and guidance on accounting and financial matters. His service as an outside director of other companies (including public companies) provides valuable insight on corporate governance and business matters. He is the Board's audit committee financial expert.

**Continuing Directors**

Name, Age (as of February 21, 2018) and Occupation	Director Since	Term Expires
<p><b>Mark S. Gorder</b> (71) became a director in January 1996. Mr. Gorder has served as the President and Chief Executive Officer of the Corporation since April 2001; President and Chief Operating Officer of the Corporation from December 2000 to April 2001; and Vice President of the Corporation from 1996 to December 2000. Mr. Gorder has been President and Chief Executive Officer of IntriCon, Inc., a subsidiary of the Corporation, since 1983.</p>	1996	2019
<p>Mr. Gorder's day to day leadership of the Corporation, as Chief Executive Officer, provides him with intimate knowledge of the Corporation's operations and the markets in which the Corporation operates. Also, as co-founder of the Corporation's subsidiary, IntriCon, Inc. he provides strategic guidance. The Board believes that Mr. Gorder provides unique insights into the Corporation's challenges, opportunities and operations.</p>		
<p><b>Michael J. McKenna</b> (83) became a director in June 1998 and has served as Chairman of the Board of Directors of the Corporation since April 2001. In March 2001, Mr. McKenna retired as the Vice Chairman and a Director of Crown, Cork &amp; Seal Company, Inc. (now Crown Holdings, Inc.), a manufacturing company. From 1995 to 1998, Mr. McKenna was the President and Chief Operating Officer and, prior to 1995, was the Executive Vice President and President of the North American Division of Crown, Cork &amp; Seal Company, Inc.</p>	1998	2019
<p>As the retired Vice Chairman, director and former executive of Crown, Cork &amp; Seal, Mr. McKenna brings a global business perspective from his leadership positions as well as operational and sales experience. In addition, as the director with the longest tenure among the independent directors, Mr. McKenna also has considerable knowledge about the operations and background of IntriCon.</p>		
<p><b>Robert N. Masucci</b> (80) became a director in February 2002. Mr. Masucci has served as the Chairman of the Board of Montgomery Capital Advisors, Inc., a consulting company, since 1990 and Chairman of the Board of Barclay Brand Corporation, a distribution company, since 1996. Prior to 1990, Mr. Masucci was President and Chief Executive Officer of Drexel Industries, Inc., a forklift manufacturer. Messrs. Masucci and Giordano are first cousins.</p>	2002	2020

As a former chief executive officer of a publicly traded manufacturing company, Mr. Masucci provides IntriCon with guidance on business operations, strategic planning and accounting and financial matters. Mr. Masucci also has mergers and acquisitions experience.

**Continuing Directors (continued)**

Name, Age (as of February 21, 2018) and Occupation	Director Since	Term Expires
<b>Philip Smith (50)</b> became a director in April 2016. Mr. Smith has served as a managing director at the investment banking firm, Duff & Phelps beginning in March 2017, where he focuses on the healthcare industry. Prior to that, Mr. Smith was a managing director with the investment banking firm, BMO Capital Markets (formerly Greene Holcomb Fisher). Prior to joining Greene Holcomb Fisher in 2011, Mr. Smith was President and Chief Executive Officer of Angeion Corporation, now MGC Diagnostics, a global medical technology company. Earlier experiences include being CEO of DGIMED Ortho, Executive Vice President of Business Development at Vital Images, and a healthcare investment banker at Piper Jaffray.	2016	2020

Mr. Smith provides IntriCon more than 20 years of experience in healthcare, including roles in mergers and acquisitions, finance and executive management.

**Independence of the Board of Directors**

Under our corporate governance guidelines, the Board, with the assistance of legal counsel and the Nominating and Corporate Governance Committee, uses the current standards for “independence” established by the Nasdaq Stock Market, referred to in the remainder of this proxy statement as “Nasdaq,” to determine director independence. The Board of Directors has determined that the following directors, constituting a majority of the members of the Board, are independent as defined in the corporate governance rules of Nasdaq: Messrs. Giordano, Masucci and McKenna.

The independence standards of Nasdaq are composed of objective standards and subjective standards. Under the objective standards, a director will not be deemed independent if he directly or indirectly receives payments for services (other than as a director) in excess of certain thresholds or if certain described relationships exist. Under the subjective independence standard, a director will not be deemed independent if he has a material relationship with the Corporation that, in the view of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Under the Nasdaq rules, an independent director must satisfy both the objective and the subjective standards.

In evaluating the independence of Mr. McKenna, the Board considered that a partner of the law firm retained by the Corporation since 2002 is the son-in-law of Mr. McKenna. See “—Certain Relationships and Related Party Transactions.” The Board determined that Mr. McKenna was independent under the objective Nasdaq standards because: (i) no payments were made to Mr. McKenna or his son-in-law directly in exchange for the services provided to the Corporation by the law firm and (ii) the amounts paid to the law firm did not exceed the thresholds contained in the Nasdaq independence standards. The Board also determined that Mr. McKenna was independent under the subjective Nasdaq standard for the reasons discussed above and because Mr. McKenna’s son-in-law was not personally involved

in the law firm's legal representation of the Corporation.

### **Board Leadership Structure and Risk Oversight**

We separate the roles of Chief Executive Officer and Chairman of the Board in recognition of the differences between the two roles. The Chief Executive Officer is responsible for setting the strategic direction for the Corporation and the day to day leadership and performance of the Corporation, while the Chairman of the Board provides guidance and sets the agenda for Board meetings and presides over meetings of the full Board. The Board believes that this structure ensures a greater role for the

independent directors in the oversight of the Corporation and active participation of the independent directors in setting agendas and establishing priorities and procedures that work for the Board. The Chairman of the Board also acts as a key liaison between the Board and management.

The Board of Directors as a whole is responsible for consideration and oversight of risks facing the Corporation, and is responsible for ensuring that material risks are identified and managed appropriately. Certain risks are overseen by committees of the Board of Directors and these committees make reports to the full Board of Directors, including reports on noteworthy risk-management issues. Financial risks are overseen by the Audit Committee which meets with management to review the Corporation's major financial risk exposure and the steps management has taken to monitor and control such exposures. Compensation risks are overseen by the Compensation Committee. Members of the Corporation's senior management team periodically report to the full Board about their areas of responsibility and a component of these reports is risk within the area of responsibility and the steps management has taken to monitor and control such exposures. Additional review or reporting on risks is conducted as needed or as requested by the Board or committee.

#### Communication with the Board

Shareholders may communicate with the Board of Directors, including any individual director, by sending a letter to the Board of Directors, c/o Corporate Secretary, IntriCon Corporation, 1260 Red Fox Road, Arden Hills, Minnesota 55112. The Corporate Secretary has the authority to disregard any inappropriate communications or to take other appropriate actions with respect to any such inappropriate communications. If deemed an appropriate communication, the Corporate Secretary will submit your correspondence to the Chairman of the Board or to any specific director to whom the correspondence is directed.

#### Meetings of the Board and Committees

The Corporation's Board of Directors held seven meetings in 2017. During 2017, all directors of the Corporation attended at least 75% of the total number of meetings of the Board of Directors of the Corporation and all committees of which they were members.

#### Attendance at Annual Meeting of Shareholders

The Board of Directors has adopted a policy that all of the directors should attend the annual meeting of shareholders, absent exceptional cause. All of the directors attended the 2017 annual meeting of shareholders.

#### Code of Ethics

The Corporation has adopted a code of ethics that applies to its directors, officers and employees, including its chief executive officer, chief financial officer, controller and persons performing similar functions. Copies of the Corporation's code of ethics are available without charge upon written request directed to Cari Sather, Director of Human Resources, IntriCon Corporation, 1260 Red Fox Road, Arden Hills, MN 55112. A copy of the code of ethics is also available on the Corporation's website: [www.intricon.com](http://www.intricon.com). The Corporation intends to satisfy the disclosure requirement under Item 5.05 of SEC Form 8-K regarding any future amendments to a provision of its code of ethics by posting such information on the Corporation's website: [www.intricon.com](http://www.intricon.com).

## Director Compensation for 2017

Each non-employee director is entitled to a base annual retainer of \$24,000. For their services in such capacities, the Chairman of the Board is entitled to receive an additional annual retainer of \$25,000, the Chairman of the Audit Committee is entitled to receive an additional annual retainer of \$10,000 and the Chairman of each of the Compensation Committee and the Nominating and Corporate Governance Committee is entitled to receive an additional annual retainer of \$5,000. All retainers are paid in quarterly installments. Each non-employee director also receives \$1,500 for each Board and committee meeting attended in person and \$500 for each telephonic Board and committee meeting attended; however, no fee is payable for telephonic board and committee meetings that last less than 30 minutes.

Directors are eligible to receive awards under the 2015 Equity Incentive Plan. The Compensation Committee previously approved the automatic grant of options to non-employee directors who are re-elected or continue as a non-employee director at each annual meeting of shareholders as follows: Chairman of the Board - options to purchase 12,000 shares of common stock and each other non-employee director - options to purchase 10,000 shares of common stock. Accordingly, following the 2017 annual meeting, Mr. McKenna, in his capacity as Chairman of the Board, was granted an option to purchase 12,000 shares of common stock, while each of Messrs. Giordano, Masucci and Smith was granted an option to purchase 10,000 shares of common stock, in each case at an exercise price of \$8.80 per share, the closing price of our common stock on the date of the grant. All director options vest in three equal annual installments beginning one year after the date of grant, except that the options will become immediately exercisable upon a “change in control” as defined in the 2015 Equity Incentive Plan or the death, disability or retirement of the recipient, and expire ten years after the date of grant, unless terminated earlier by the terms of the option.

In January 2018, the Nominating and Corporate Governance Committee recommended, and the Compensation Committee approved, the automatic grant of restricted stock units (“RSUs”) to non-employee directors who are re-elected or continue as a non-employee director at each annual meeting of shareholders, beginning with the 2018 Annual Meeting, as follows: the Chairman of the Board will receive a number of RSUs (rounded to the nearest whole share) equal to \$72,000 divided by the closing price of the common stock on the date of the Annual Meeting and each other non-employee director will receive a number of RSUs (rounded to the nearest whole share) equal to \$60,000 divided by the closing price of the common stock on the date of the Annual Meeting. The RSUs will vest in three equal annual installments beginning one year after the date of grant, except that they will become immediately exercisable upon a “change in control” or the death, disability or retirement of the recipient, as provided in the 2015 Equity Incentive Plan.



The following table sets forth information concerning the compensation earned during the year ended December 31, 2017 by each of our directors that was not also an employee.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (1) (\$)	Option Awards (2) (\$)	All Other Compensation (\$)	Total (\$)
Nicholas A. Giordano	54,000	—	49,900	—	103,900
Robert N. Masucci	49,000	—	49,900	—	98,900
Michael J. McKenna	69,000	—	59,880	—	128,880
Philip I. Smith	46,000	—	49,900	—	95,900

We have not granted any stock awards to our directors. Under the Non-Employee Director and Executive Officer (1) Stock Purchase Program, directors may purchase shares of common stock directly from the Corporation at the last reported sale price on the date that the election to purchase is made.

The amounts included in the “Option Awards” column represent the aggregate grant date fair value of stock awards granted during 2017 computed in accordance with Financial Accounting Standards Board’s Accounting Standards Codification Topic 718 (“FASB Codification Topic 718”). These amounts do not necessarily correspond to the actual value that may be recognized by the directors. For a discussion of valuation assumptions, see Note 16 to our (2) consolidated financial statements included in our annual report on Form 10-K for the fiscal year ended December 31, 2017. A total of 150,681 options were forfeited under equity plans during 2017. As of December 31, 2017, the number of stock option awards held by our non-employee directors was: Mr. Giordano – 100,000; Mr. Masucci – 100,000; Mr. McKenna – 120,000 and Mr. Smith– 20,000.

#### Director Share Ownership Requirements

In April 2006, the Nominating and Corporate Governance Committee adopted a policy that all directors must purchase and own shares of common stock with a purchase price equal to at least one-year’s annual director fees. Under this policy, Mr. Smith, who was appointed as director in April 2016, has a period of five years to comply. All other directors are in compliance with this policy.

#### Committees of the Board

The Board of Directors of the Corporation has established an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee.

***Audit Committee.*** The Board of Directors of the Corporation has appointed a standing Audit Committee consisting of Messrs. Giordano (Chairman), Masucci and McKenna. The Board of Directors has determined that each member of the Audit Committee is independent, as defined in applicable Nasdaq corporate governance rules and SEC regulations. Mr. Smith, who was a member of the Audit Committee in 2017, was determined to be independent under applicable Nasdaq corporate governance rules and SEC regulations. In addition, the Board of Directors has determined that Mr. Giordano qualifies as an audit committee financial expert, as defined in applicable SEC rules. The Audit Committee held five meetings in 2017.

The Audit Committee is governed by a written charter approved by the Board of Directors, a copy of which is available on our website at [www.intricon.com](http://www.intricon.com). The principal duties of the Audit Committee are to monitor the integrity of the financial statements of the Corporation, the compliance by the Corporation with legal and regulatory requirements and the independence and performance of the

Corporation's independent auditors. The Audit Committee also approves all related party transactions and establishes procedures for (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submissions by the Corporation's employees of concerns regarding questionable accounting or auditing matters. In addition, the Committee selects the firm to be engaged as the Corporation's independent public accountants, and approves the engagement of the independent public accountants for all non-audit activities permitted under the Sarbanes-Oxley Act of 2002. The report of the Audit Committee appears on page 34.

***Compensation Committee.*** The Board of Directors of the Corporation has appointed a standing Compensation Committee currently consisting of Messrs. Masucci (Chairman), Giordano and McKenna. The Board of Directors has determined that each member of the Compensation Committee is independent, as defined in applicable Nasdaq corporate governance rules. Mr. Smith, who was a member of the Compensation Committee in 2017, was determined to be independent under applicable Nasdaq corporate governance rules and SEC regulations. The Compensation Committee reviews and makes recommendations to the Board of Directors concerning officer compensation and officer and employee bonus programs and administers the Corporation's equity plans. The Compensation Committee met four times in 2017.

The Compensation Committee is governed by a written charter approved by the Board of Directors, a copy of which is available on our website at [www.intricon.com](http://www.intricon.com). The principal duties of the Compensation Committee are to formulate, evaluate and approve the compensation of the Corporation's executive officers, oversee all compensation programs involving the issuance of the Corporation's stock and other equity securities of the Corporation, and, if required, review and discuss with the Corporation's management the Compensation Discussion and Analysis and preparing the Committee's report thereon for inclusion in the Corporation's annual proxy statement in accordance with applicable rules and regulations.

A discussion of the Compensation Committee's processes and procedures for the consideration and determination of executive compensation is included in "Executive Compensation — Processes and Procedures for the Determination of Executive Officer and Director Compensation."

***Nominating and Corporate Governance Committee.*** The Board of Directors of the Corporation has appointed a standing Nominating and Corporate Governance Committee currently consisting of Messrs. McKenna (Chairman), Giordano and Masucci. Mr. Smith, who was a member of the Nominating and Corporate Governance Committee in 2017, was determined to be independent under applicable Nasdaq corporate governance rules and SEC regulations. The Board of Directors has determined that each member of the Nominating and Corporate Governance Committee is independent, as defined in applicable Nasdaq corporate governance rules. The Nominating and Corporate Governance Committee met two times in 2017.

The Nominating and Corporate Governance Committee is governed by a written charter approved by the Board of Directors, a copy of which is available on our website at [www.intricon.com](http://www.intricon.com). The principal duties of the Nominating and Corporate Governance Committee are to identify individuals qualified to become members of the Board consistent with the criteria approved by the Committee, consider nominees made by shareholders in accordance with the Corporation's bylaws, select, or recommend to the Board, the director nominees for each annual shareholders meeting, recommend to the Board the directors to be appointed to each Committee of the Board, recommend to the Board whether to increase or decrease the size of the Board, develop and recommend to the Board corporate governance

principles and oversee the evaluations of the Board and senior management. This Committee also determines the compensation payable to directors and members of committees of the Board.

#### Director Nomination Process

***Consideration of Director Candidates Recommended by Shareholders.*** The Nominating and Corporate Governance Committee will consider properly submitted shareholder recommendations for director candidates. A shareholder who wishes to recommend a prospective director nominee should send a signed and dated letter to the Chairman of the Nominating and Corporate Governance Committee, c/o Corporate Secretary, IntriCon Corporation, 1260 Red Fox Road, Arden Hills, Minnesota 55112 with the following information:

the name and address of the shareholder making the recommendation and of each recommended nominee;

a representation that the shareholder is a holder of record, and/or a beneficial owner, of voting stock of the Corporation entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to vote for the person(s) recommended if nominated;

a description of all arrangements and understandings between the shareholder and each recommended nominee and any other person(s), naming such person(s), pursuant to which the recommendation was submitted by the shareholder;

such other information regarding each recommended nominee as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC had the nominee been nominated by the Nominating and Corporate Governance Committee, including the principal occupation of each recommended nominee; and

the consent of each recommended nominee to serve as a director if so nominated and elected.

The deadline for submitting the letter recommending a prospective director nominee for the 2019 annual meeting of shareholders is November 16, 2018. All late or non-conforming recommendations will be rejected.

In addition, under the Corporation's bylaws, shareholders are permitted to nominate directors to be elected at a meeting of shareholders by providing notice and the other required information specified in the bylaws. Although shareholders may nominate directors, such nominees will not appear in the Corporation's proxy statement or in the proxy solicited by the Board of Directors. The Corporation's amended and restated bylaws are available, at no cost, at the SEC's website, [www.sec.gov](http://www.sec.gov), as Exhibit 3.1 to the Corporation's Current Report on Form 8-K filed October 12, 2007 or upon

the shareholder's written request directed to the Corporate Secretary at the address given above.

***Director Qualifications.*** The Nominating and Corporate Governance Committee has the sole authority to select, or to recommend to the Board of Directors, the Board of Director nominees to be considered for election as a director. The Nominating and Corporate Governance Committee does not have any specific minimum qualifications that must be met by a nominee other than nominees for director must be at least 21 years old. Nominees for director will be selected on the basis of outstanding achievement in their careers; broad experience; education; independence under applicable Nasdaq and SEC rules; financial expertise; integrity; financial integrity; ability to make independent, analytical inquiries; understanding of the business environment; and willingness to devote adequate time to Board

and committee duties. The proposed nominee should have sufficient time to devote their energy and attention to the diligent performance of the director's duties, including attendance at Board and committee meetings and review of the Corporation's financial statements and reports, SEC filings and other materials. Finally, the proposed nominee should be free of conflicts of interest that could prevent such nominee from acting in the best interest of shareholders.

Additional special criteria apply to directors being considered to serve on a particular committee of the Board. For example, members of the Audit Committee must meet additional standards of independence and have the ability to read and understand the Corporation's financial statements.

***Identifying and Evaluating Nominees for Director.*** The Nominating and Corporate Governance Committee assesses the appropriate size of the Board in accordance with the limits fixed by the Corporation's charter and bylaws, whether any vacancies on the Board are expected and what incumbent directors will stand for re-election at the next meeting of shareholders. If vacancies are anticipated, or otherwise arise, the Nominating and Corporate Governance Committee considers candidates for director suggested by members of the Nominating and Corporate Governance Committee and other Board members as well as management, shareholders and other parties. The Nominating and Corporate Governance Committee also has the sole authority to retain a search firm to identify and evaluate director candidates. Except for incumbent directors standing for re-election as described below, there are no differences in the manner in which the Nominating and Corporate Governance Committee evaluates nominees for director, based on whether the nominee is recommended by a shareholder or any other party.

In the case of an incumbent director whose term of office expires, the Nominating and Corporate Governance Committee reviews such director's service to the Corporation during the past term, including, but not limited to, the number of Board and committee meetings attended, as applicable, quality of participation and whether the candidate continues to meet the general qualifications for a director outlined above, including the director's independence, as well as any special qualifications required for membership on any committees on which such director serves. When a member of the Nominating and Corporate Governance Committee is an incumbent director eligible to stand for re-election, such director will not participate in that portion of the Nominating and Corporate Governance Committee meeting at which such director's potential nomination for election as a director is discussed by the Nominating and Corporate Governance Committee.

In the case of a new director candidate, the Nominating and Corporate Governance Committee will evaluate whether the nominee is independent, as independence is defined under applicable Nasdaq corporate governance rules, and whether the nominee meets the qualifications for director outlined above as well as any special qualifications applicable to membership on any committee on which the nominee may be appointed to serve if elected. In connection with such evaluation, the Nominating and Corporate Governance Committee determines whether the committee should interview the nominee, and if warranted, one or more members of the Nominating and Corporate Governance Committee interviews the nominee in person or by telephone.

Upon completing the evaluation, and the interview in case of a new candidate, the Nominating and Corporate Governance Committee makes a decision as to whether to nominate the director candidate for election at the shareholders meeting.



**SHARE OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND OFFICERS**

The following table sets forth certain information as of February 21, 2018, concerning beneficial ownership of the shares of common stock by (i) persons or groups of persons shown by SEC records to own beneficially more than 5% of the shares of common stock, (ii) directors and nominees, (iii) the executive officers named in the Summary Compensation Table, referred to as the Named Executive Officers and (iv) all directors and executive officers as a group:

Name	Number of Shares Beneficially Owned <sup>(1) (2)</sup>	Percent of Class
Heartland Advisors, Inc. <sup>(3)</sup>		
William J. Nasgovitz	558,113	8.0 %
789 North Water Street		
Milwaukee, WI 53202		
Mark S. Gorder <sup>(5)</sup>	620,120	8.8 %
Director, President and Chief Executive Officer		
Michael J. McKenna	215,411	3.1 %
Chairman of the Board of Directors		
Nicholas A. Giordano	147,336	2.1 %
Director		
Robert N. Masucci	196,088	2.8 %
Director		
Philip I. Smith	3,333	0.1 %
Director		
Michael P. Geraci	108,702	1.5 %
Vice President, Sales and Marketing		
Dennis L. Gonsior	133,371	1.9 %
Vice President, Global Operations		

Greg Gruenhagen Vice President, Quality and Regulatory Affairs	94,063	1.3 %
Scott Longval Chief Financial Officer, Secretary, and Treasurer	110,365	1.6 %
All Directors and Executive Officers as a Group (9 persons)	1,628,789	21.2 %

Unless otherwise indicated, each person has sole voting and investment power with respect to all such shares. The securities “beneficially owned” by a person are determined in accordance with the definition of “beneficial ownership” set forth in the regulations of the Securities and Exchange Commission. The information does not necessarily indicate beneficial ownership for any other purpose. The same shares of common stock may be beneficially owned by more than one person. Beneficial ownership, as set forth in the regulations of the Securities and Exchange Commission, includes securities as to which the person has or shares voting or investment power. Shares of common stock issuable upon the exercise or conversion of securities currently exercisable or convertible or exercisable or convertible within 60 days of February 21, 2018 are deemed outstanding for computing the share ownership and percentage ownership of the person holding such securities, but are not deemed outstanding for computing the percentage of any other person. Beneficial ownership may be disclaimed as to certain of the securities.

- (2) In the case of the Corporation's directors and executive officers, includes the following shares which such person has the right to acquire within 60 days of February 21, 2018 through the exercise of stock options:

Name	Number of Shares	Subject to Options
Mark S. Gorder	147,500	
Michael J. McKenna	96,000	
Nicholas A. Giordano	70,000	
Robert N. Masucci	80,000	
Philip I. Smith	3,333	
Michael P. Geraci	86,500	
Dennis L. Gonsior	86,500	
Greg Gruenhagen	86,500	
Scott Longval	86,500	
All Directors and Executive Officers as a Group	742,833	

Based upon Schedule 13G/A filed with the SEC on February 2, 2018. According to the Schedule 13G, these shares may be deemed beneficially owned within the meaning of Rule 13d-3 of the Exchange Act by (1) Heartland (3) Advisors, Inc., an investment adviser registered with the SEC, by virtue of its investment discretion and voting authority granted by certain clients, which may be revoked at any time and (2) William J. Nasgovitz by virtue of his control of Heartland Advisors, Inc.

Includes 5,000 shares of common stock owned by his spouse and 14,000 shares of common stock owned by his (5) adult children, as to all of which shares Mr. Gorder disclaims beneficial ownership. Mr. Gorder's business address is 1260 Red Fox Road, Arden Hills, MN 55112. 1260 Red Fox Road, Arden Hills, MN 55112.

## EXECUTIVE COMPENSATION

### Background

The Compensation Committee of our Board of Directors administers our compensation program for executive officers. The objectives of our compensation program are to attract and retain talented and dedicated executive officers and to align a significant portion of their compensation with our business objectives and performance and the interests of our shareholders.

### Elements of Executive Compensation

Our compensation program for executive officers consists of the following elements:

**Base Salary.** Base salary is designed to reward the performance of our executive officers in their daily fulfillment of their responsibilities to us. The Compensation Committee determines the base salary of each of our executive officers by evaluating their scope of responsibilities and experience, years of service with us, our performance and the performance of each of the executive officers during the past year, the executive's future potential and competitive salary practices. We believe that our base salaries are competitive with other companies of our size.

### *Annual Cash Incentive Compensation.*

The Compensation Committee's philosophy is that a significant portion of the total potential compensation of our executive officers should depend upon the degree of our financial and strategic success in a particular year.

In March 2012, the Compensation Committee adopted the Annual Incentive Plan for Executives and Key Employees. For more information, see "Annual Incentive Plan."

**Long-Term Incentive Compensation in the Form of Stock Awards.** In 2015, our Board of Directors and shareholders approved the 2015 Equity Incentive Plan, which replaced the 2006 Equity Incentive Plan. The 2015 Equity Incentive

Plan is designed to:

promote the long-term retention of our employees, directors and other persons who are in a position to make significant contributions to our success;

further reward these employees, directors and other persons for their contributions to our growth and expansion;

provide additional incentive to these employees, directors and other persons to continue to make similar contributions in the future; and

further align the interests of these employees, directors and other persons with those of our shareholders.

To achieve these purposes, the 2015 Equity Incentive Plan permits the Compensation Committee to make awards of stock options, stock appreciation rights, restricted stock or unrestricted stock, deferred stock, restricted stock units or performance awards for our shares of common stock. For more information concerning the 2015 Equity Incentive Plan, see “Equity Plans - 2015 Equity Incentive Plan” below.

Stock options are granted at the fair market value of our shares of common stock on the date of grant. Stock awards are granted based on various factors, including the executive's ability to contribute to our long-term growth and profitability.

***Employee Stock Purchase Plan.*** All of our fulltime employees, including our executive officers (other than Mr. Gorder), are entitled to participate in our Employee Stock Purchase Plan. Under this Plan, employees may purchase our shares of common stock at a discount of up to 10% through payroll deductions.

***Non-Employee Director and Executive Officer Stock Purchase Program.*** Under the Non-Employee Director and Executive Officer Stock Purchase Program, directors and executive officers may purchase shares of common stock directly from the Corporation at the last reported sale price on the date that the election to purchase is made. During 2017, no shares of common stock were purchased under this program.

***Other Benefits.*** All of our fulltime employees, including our executive officers, are entitled to participate in our health insurance, life insurance and 401(k) plans. We also maintain a disability insurance policy on behalf of certain of the members of our senior management, including our executive officers, that is in addition to the disability benefits that we maintain for our salaried employees.

***Additional Benefits Payable to the Chief Executive Officer.*** Mr. Gorder, our Chief Executive Officer, receives additional benefits under our employment agreement with him. Under the employment agreement, we are required to reimburse Mr. Gorder for his country club membership fees. We are also required to provide Mr. Gorder with an automobile for use in connection with the performance of his duties under the employment agreement and reimburse him for all expenses reasonably incurred by him for the maintenance and operation, including fuel, of the automobile.