ANNUAL REPORT 2015
PROXY STATEMENT 2016

IntriCon designs, develops and manufactures body-worn devices. These advanced products help hearing health, medical, and healthcare companies meet the rising demand for smaller, more intelligent and better connected devices.

As part of an industry-wide effort to reduce the cost of healthcare, our body-worn devices help shift the point of care from more expensive settings, like hospitals and clinics, to less expensive ones, such as the home. We accomplish this by putting more intelligence into every product, connecting patients and caregivers in non-traditional ways. This shift is enabled by advanced technologies, such as our ultra-low-power (ULP) wireless and digital signal processing (DSP), allowing intervention to be administered by boarder range of professionals and technicians.

Today we are focused on two significant healthcare market opportunities: value hearing health—where we will work to bring additional low-cost and effective devices to consumers; and, medical biotelemetry market—connecting people with caregivers through technology.

IntriCon is headquartered in Arden Hills, Minn., a suburb of Minneapolis/St. Paul, and employs more than 550 people at facilities in the United States, Europe, United Kingdom, and Asia. IntriCon common stock is traded on the NASDAQ Global Market under the symbol “IIN.”

To Our Shareholders:

I am pleased to report that fiscal 2015 was a record year in several respects for the company. We achieved the highest full-year revenues and gross margins since rebranding as IntriCon nearly a decade ago. Additionally, we continued to deliver profitability while focusing on our strategy of developing partnerships with key value hearing health and medical customers. We're accomplishing this by concentrating resources on building the infrastructure required to secure high-potential growth opportunities, especially in the value hearing health market, while continuing to advance our medical capabilities and technology.

For the 2015 full year, IntriCon reported net sales of $69.7 million and net income attributable to IntriCon shareholders of $2.2 million, or $0.36 per diluted share. This compares to 2014 annual net sales of $68.3 million and net income attributable to IntriCon shareholders of $2.2 million, or $0.37 per diluted share. For the year, gross profit margins increased to 27.2 percent from 27.1 percent for 2014. The improvement was primarily driven by higher sales volume.

2015 Highlights

As a company, we achieved a number of milestones that position us for a successful 2016 and beyond. During the year we:

- Delivered sequential revenue and net income growth every quarter;
- Significantly grew our medical business;
- Embarked on a joint venture (earVenture) with the Academy of Doctors of Audiology (ADA) and completed our acquisition of PC Werth Limited—both significant initiatives in the value hearing health space to provide high-quality hearing aids at attractive prices to the global markets;
- Invested a record $5.2 million in research and development to innovate in the value hearing health and medical arenas; and,
- Launched JD Edwards EnterpriseOne platform, a $2.4 million investment in an integrated applications suite of comprehensive enterprise resource planning software, to further support our global manufacturing and distribution footprint.

Medical Biotelemetry: Established and Growing

In 2015, sales in IntriCon's medical business rose 16 percent to record levels. This increase was fueled chiefly by the company's largest customer, Medtronic. IntriCon has partnered with Medtronic to manufacture their MiniLink REAL-Time Transmitter wireless continuous glucose monitors, sensors, and related accessories which are incorporated in Medtronic's MiniMed 530G insulin pump and continuous glucose monitoring system. We anticipate continued Medtronic strength in 2016.

Within the medical biotelemetry space, our technology connects patients and caregivers in non-traditional ways. Our advanced, smaller lightweight devices have helped shift the point of care from traditional settings such as hospitals, to non-traditional settings like homes. The company currently has a strong presence in the diabetes biotelemetry market via Medtronic, as well as in cardiac diagnostic monitoring.

IntriCon has the core technology and product offering to expand its existing customer relationships, explore new partnerships with medical leaders, as well as move into new biotelemetry markets. To that end, we are allocating more capital and resources to sales and marketing, and research and development to expand our reach to other large medical device and health care companies. And we are focused on efficiency, having reduced expenses in non-core areas to channel our investments in the strongest growth opportunities.

Value Hearing Health: Emerging High-Growth Opportunity

While medical biotelemetry is an established and growing area for IntriCon, we continue to see enormous potential in the emerging value hearing health space. Over the past several years IntriCon has invested significant resources to best position the company in this space with a unique position to provide low cost, high quality devices based on an extensive pipeline of core technologies. Additionally, from an infrastructure standpoint, our global manufacturing and distribution footprint, supported by our recent launch of the EnterpriseOne enterprise resource planning software and proven record of delivering high volume, quality devices to large healthcare companies, such as Medtronic and United HealthCare, have set the stage for IntriCon to meet the growth anticipated in the value hearing health space. Following are some of the key value hearing health market's current dynamics.

We know for a fact that the conventional channel has experienced a trend of continuing market consolidation. As a result, the six large manufacturers now control approximately 98 percent of the global market. However, during this time, market penetration has stagnated as end-consumer prices have risen dramatically. This has spurred the development of value hearing aids, personal sound amplifier products (PSAPs) and assistive listening devices.

In January 2016, the U.S. Food and Drug Administration (FDA) weighed in on low market-penetration rates with an announcement that highlighted statistics from the National Institute on Deafness and Other Communication Disorders that indicate 37.5 million U.S. adults aged 18 and older report some form of hearing loss. However, only 30 percent of adults over 70, and 16 percent of those aged 20 to 69 who could benefit from wearing hearing aids, have ever used them. Based on these statistics, the FDA has reopened the public comment period on draft guidance related to their premarket requirements for hearing aids and PSAPs; the intent is to consider ways in which regulation can support further penetration into the hearing market.

Along the same lines, in October 2015, the President's Council of Advisors on Science & Technology (PCAST), the group that makes policy recommendations to the President, also addressed the low hearing health market penetration levels IntriCon has long pointed out. PCAST indicated that untreated hearing loss in the United States is a substantial national problem, and supported this assessment with references to the barriers to access. The group recommended revising FDA regulations and changing the current distribution channel, as well as creating new channels to increase the opportunities for consumer choice.

As a company, we are aligned with the FDA's and PCAST's efforts to overcome barriers to device access and accelerate development and innovation in cost-effective technology. We believe these factors create the need for the outcomes-based hearing health model we've advocated. Our value hearing health strategy focuses on this need, and we're continuing our work to build infrastructure to secure other notable partners who can help drive our outcomes-based product offering. We are attractively positioned to capitalize on this emerging situation and look forward to partnering with the FDA and other organizations to bring hearing healthcare to millions of people who today cannot afford care through the conventional channel.

IntriCon's work throughout 2015 with the ADA/earVenture and our acquisition of PC Werth Limited are evidence of the value channels emerging in the market—and which we believe have significant growth potential. Moreover, they capitalize on IntriCon's established ability to deliver high-quality devices and fitting software, while providing access points to directly penetrate the global marketplace. We anticipate these initiatives, among others, will drive robust hearing health growth for IntriCon in future quarters.

Looking ahead

2015 was a very successful year for IntriCon. We posted improved performance and made marked progress developing our infrastructure, securing new channel partners and advancing our technology portfolio. With new partnerships coming on board, coupled with our strong medical business, we believe we are poised for future growth.

In 2016, we remain steadfast in our strategy. Specifically, we are focused on:

- **Expanding Value Hearing Health Channels –** The value hearing health market is rapidly emerging. Our top strategic priority is to further expand our value hearing health reach, by expanding the required infrastructure and securing additional channel partners.
- **Core Technology Development –** This is critical to our long-term success. In 2016, we will define and validate ultra low power (ULP) wireless technology test platforms aimed at increasing access to and efficiencies in the rising value hearing health distribution channel and medical biotelemetry markets.

On behalf of our board of directors and executive team, I want to thank you for your continued support, as we follow a promising course to long-term growth and consistent value creation.

Sincerely,

Mark Gorder
President and Chief Executive Officer
IntriCon Corporation
March 11, 2016

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

FORM 10-K

(Mark one)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________.

Commission File Number 1-5005

INTRICON CORPORATION
(Exact name of registrant as specified in its charter)

Pennsylvania	23-1069060
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1260 Red Fox Road Arden Hills, Minnesota	55112
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (651) 636-9770

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, $1 par value per share	The NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined by rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting common shares held by non-affiliates of the registrant on June 30, 2015 was $36,586,092. Common shares held by each officer and director and by each person who owns 10% or more of the outstanding common shares have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding shares of the registrant's common shares on February 23, 2016 was 5,981,756.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's definitive proxy statement for the 2016 annual meeting of shareholders are incorporated by reference into Part III of this report; provided, however, that the Audit Committee Report and any other information in such Proxy Statement that is not required to be included in this Annual Report on Form 10-K, shall not be deemed to be incorporated herein or filed for the purposes of the Securities Act of 1933, as amended or the Securities Exchange Act of 1934, as amended.

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PART I

ITEM 1. Business

Company Overview

IntriCon Corporation (together with its subsidiaries referred herein as the "Company", or "IntriCon", "we", "us" or "our") is an international company engaged in designing, developing, engineering, manufacturing and distributing body-worn devices. The Company serves the body-worn device market by designing, developing, engineering, manufacturing and distributing micro-miniature products, microelectronics, micro-mechanical assemblies, complete assemblies and software solutions, primarily for the emerging value hearing health market, the medical bio-telemetry market and the professional audio communication market. The Company, headquartered in Arden Hills, Minnesota, has facilities in Minnesota, California, Singapore, Indonesia, the United Kingdom and Germany, and operates through subsidiaries. The Company is a Pennsylvania corporation formed in 1930, and has gone through several transformations since its formation. The Company's core business of body-worn devices was established in 1993 through the acquisition of Resistance Technologies Inc., now known as IntriCon, Inc. The majority of IntriCon's current management came to the Company with the Resistance Technologies Inc. acquisition, including IntriCon's President and CEO, who was a co-founder of Resistance Technologies Inc.

Currently, the Company operates in one operating segment, the body-worn device segment. On June 13, 2013, the Company announced a global restructuring plan to accelerate future growth and reduce costs. As part of the restructuring, the Company sold its security and certain microphone and receiver operations on January 27, 2014 to Sierra Peaks Corporation. For all periods presented, the Company classified these businesses as discontinued operations, and, accordingly, has reclassified historical financial data presented herein.

Information contained in this Annual Report on Form 10-K and expressed in U.S. dollars or number of shares are presented in thousands (000s), except for per share data and as otherwise noted.

Business Highlights

Major Events in 2015

The Company reported its strongest financial results in over a decade, surpassing 2014 results, including its strongest revenue and margin since the rebranding of the Company in 2005.

On November 3, 2015, the Company acquired the assets of PC Werth, a leading supplier of hearing healthcare products and equipment to the United Kingdom's National Health Service (NHS). The NHS is the largest purchaser of hearing aids in the world, supplying an estimated 1.2 million hearing aids annually.

On November 2nd, 2015, the company launched JD Edwards EnterpriseOne platform, a $2,400 investment in an integrated applications suite of comprehensive enterprise resource planning (ERP) software, to further support its global manufacturing and distribution footprint.

On September 14, 2015, the Company and The Academy of Doctors of Audiology (ADA), announced a joint venture to provide hearing instruments and educational resources that offer unprecedented value for audiologists and their patients.

On March 31, 2015, the Company and its domestic subsidiaries entered into a Seventh Amendment to the Loan and Security Agreement and Waiver with The PrivateBank and Trust Company, which among other things extended the maturity date of the term loan and revolving credit facility to February 28, 2019 (See Note 8 to the Company's consolidated financial statements included herein).

Major Events in 2014

On December 4, 2014, the Company announced an exclusive distribution agreement with PC Werth in the United Kingdom. PC Werth, through its partnership with IntriCon, has been appointed as one of the main suppliers to the NHS Supply Chain's National Framework.

On January 27, 2014, the Company sold its remaining security and certain microphone and receiver operations, which marked the final milestone in the global strategic restructuring plan announced in 2013.

Major Events in 2013

On June 13, 2013, the Company announced a global strategic restructuring plan designed to accelerate the Company's future growth by focusing resources on the highest potential growth areas and reduce costs. As part of this plan, the Company reduced investment in certain non-core professional audio communications product lines; transferred specific product lines from Singapore to the Company's lower-cost manufacturing facility in Batam, Indonesia; reduced its global administrative and support workforce; transferred the

medical coil operations from the Company’s Maine facility to Minnesota to better leverage existing manufacturing capacity, added experienced professionals in value hearing health; and focused more resources in medical biotelemetry. During the 2013 third quarter, the Company’s customer, Medtronic, received Food and Drug Administration (FDA) approval for their MiniMed 530G insulin pump. Medical market sales strengthened in the 2013 fourth quarter as Medtronic ramped for its launch of the MiniMed 530G.

Market Overview:

IntriCon serves the body-worn device market by designing, developing, engineering, manufacturing and distributing micro-miniature products, microelectronics, micro-mechanical assemblies, complete assemblies and software solutions, primarily for the emerging value hearing health market, the medical bio-telemetry market and the professional audio communication market. Revenue from the medical bio-telemetry and value hearing health markets is reported on the respective medical and hearing health lines in the discussion of our results of operations in “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 18 “Revenue by Market” to the Company’s consolidated condensed financial statements included herein.

Value Hearing Health Market

The Company believes the value hearing health (VHH) market offers significant growth opportunities. In the United States alone, there are approximately 48 million adults that report some degree of hearing loss. In adults the most common cause of hearing loss is aging and noise. In fact, by the age of 65 year old, one out of three people have hearing loss. The hearing impaired population is expected to grow significantly over the next decade due to an aging population and more frequent exposure to loud sounds that can cause noise-induced hearing loss. It is estimated that hearing aids can help more than 90 percent of people with hearing loss, however the current market penetration into the U.S. hearing impaired population is approximately 20 percent, a percentage that has remained essentially unchanged for the last four decades. In early January, the U.S. Food and Drug Administration (FDA) weighed in on low hearing aid penetration rates with an announcement that highlighted statistics from the National Institute on Deafness and Other Communication Disorders. They found that 37.5 million U.S. adults aged 18 and older report some form of hearing loss. However, only 30 percent of adults over 70, and 16 percent of those aged 20 to 69 who could benefit from wearing hearing aids, have ever used them. Based on these statistics, the FDA has reopened the public comment period on draft guidance related to the agency’s premarket requirements for hearing aids and PSAPs. The FDA’s intent is to consider ways in which regulation can support further penetration into the hearing market.

In October 2015, the President’s Council of Advisors on Science & Technology (PCAST), the group that makes policy recommendations to the President, also addressed the low hearing health market penetration levels IntriCon has long pointed out. PCAST indicated that untreated hearing loss in the United States is a substantial national problem, and supported this assessment with references to the barriers to access. The group recommended revising FDA regulations and changing the current distribution channel, as well as creating new channels to increase the opportunities for consumer choice. A link to both the FDA announcement and the PCAST letter can be found on our website.

We believe the U.S. market penetration is low primarily due to the high costs to purchase a hearing aids, consolidation at the retail level and inconveniences in the distribution channel. These factors have created the opportunity for alternative care models, such as the value hearing aid (VHA) channel and personal sound amplifier (PSAP) channel. The VHA channel is outcome based focused and requires the best device and software technology, to provide the most efficient, lowest cost solution to the consumer. IntriCon has positioned itself as a leader in these channels through significant, on-going investments in sales and marketing and research and development. The Company is aggressively pursuing prospective partnerships and customers who can benefit from our value proposition and the VHA and PSAP channels.

In the VHA channel, the Company entered into a manufacturing agreement with hi HealthInnovations, a UnitedHealth Group company, to become their supplier of hearing aids. At the beginning of 2012, hi HealthInnovations launched a suite of high-tech, lower-cost hearing devices for their Medicare and Part D participants and later in the year announced they were increasing this offering to the over 26 million people enrolled in their employer-sponsored and individual health benefit plans. In 2012, they have expanded their offering to include a hearing aid discount program for health plans. This program is available nationwide to all health insurers, including employer-sponsored, individual and Medicare plans. The insurance model has been successfully demonstrated internationally, where several countries providing a full insurance program are serving 40 to 70 percent of the hearing impaired population. Further, research in the U.S. has shown a fully insured model will encourage an individual to seek treatment at an earlier stage of hearing loss, greatly increasing the market size and penetration. The Company also has various international VHA initiatives. In 2014, the Company entered into an exclusive distribution agreement with PC Werth in the United Kingdom. PC Werth, through its partnership with IntriCon, has been appointed as one of the main suppliers to the National Health Service (NHS) Supply Chain’s National Framework. The NHS is widely seen as the most efficient hearing aid delivery system in the world, supplying an estimated 1.4 million hearing aids annually. We believe IntriCon is well positioned to serve their needs, and we’re developing new technologies to further enhance delivery efficiencies and product standards in the future. On November 3, 2015, the Company acquired the assets of PC Werth to gain direct access to the NHS and to have greater control over its efforts to accelerate new market penetration into the United Kingdom. Our integration plan, which will include site relocation, reallocating resources and leveraging corporate infrastructure, is proceeding on schedule and we anticipate these efforts to be complete by the end of the 2016 third quarter.

We also believe there are niches in the conventional hearing health channel that will embrace our VHA proposition in the United States and Europe. High costs of conventional devices and retail consolidation have constrained the growth potential of the independent audiologist and dispenser. We believe our software and product offering can provide independent audiologists and dispensers the ability to compete with larger retailers, such as Costco, and manufacturer owned retail distributors. In Europe, we recently secured a two-year supply agreement with AudioNova International, one of Europe's leading hearing aid providers, operating more than 1,300 retail stores in 11 countries. Through our new supply agreement, AudioNova will offer hearing devices, manufactured by IntriCon. AudioNova's smartsound brand is based on IntriCon's Audion™ amplifier, and offers technically advanced features at value hearing health price points. AudioNova has begun rollout of the smartsound brand in the Netherlands and intends to expand the program to other targeted European countries in the future. In the third quarter of 2015, we announced a joint venture with The Academy of Doctors of Audiology (ADA) to provide hearing instruments and educational resources to audiologists and their patients. The joint venture will operate under the name earVenture LLC. earVenture was officially launched in November at the ADA conference. We expect that this joint venture will capitalize on our established reputation as a leading provider of high quality, low-cost hearing aids and the ADA's respected position as the only national membership association focused on ownership of the audiology profession through autonomous practice and clinical excellence. To date, more than 400 of the 1,200 ADA members have registered to join the earVenture program and we have delivered initial units. In 2016, earVenture will be rolling-out a comprehensive marketing and sales plan to convert those registered members to consistent customers as well as solicit non-registered ADA members to join the program.

In the past few years the PSAP channel, which includes ear worn devices that provide cost effective sound amplification, has begun to emerge. These sound amplification devices are not regulated by the FDA, as they are not hearing aids and make no claims of compensating for hearing loss. They can be purchased "off-the-shelf" and are not fit or prescribed to meet a specific individual's needs; rather these devices amplify sound and tend to be used in noisy or challenging environments. They have a significantly lower retail price to the consumer than traditional hearing aids.

Additionally, the Company believes there is great potential to market its situational listening devices (SLD's). Similar to the PSAP devices, the Company's SLD's are intended to help people hear in noisy environments, like restaurants and automobiles, and listen to television, music, and direct broadcasts by wireless connection. Such devices are intended to be supplements to conventional hearing aids, which do not handle those situations well. The product line consists of an earpiece, TV transmitter, companion microphone, iPod/iPhone transmitter, and USB transmitter.

Medical Bio-Telemetry

In the medical bio-telemetry market, the Company is focused on sales of bio-telemetry devices for life-critical diagnostic monitoring. Using our nanoDSP and BodyNet™ technology platforms, the Company manufactures microelectronics, micro-mechanical assemblies, high-precision injection-molded plastic components and complete bio-telemetry devices for emerging and leading medical device manufacturers. The medical industry is faced with pressures to reduce the cost of healthcare. Driven by core technologies, such as the IntriCon Physiolink™ that wirelessly connects patients and care givers in non-traditional ways, IntriCon helps shift the point of care from expensive traditional settings, such as hospitals, to less expensive non-traditional settings like the home. IntriCon currently serves this market by offering medical manufacturers the capabilities to design, develop, manufacture and distribute medical devices that are easier to use, are more miniature, use less power, and are lighter. Increasingly, the medical industry is looking for wireless, low-power capabilities in their devices. We have a strategic relationship with Advanced Medical Electronics Corp. (AME) that allows us to develop new bio-telemetry devices that better connect patients and care givers, providing critical information and feedback. Through the further development of our ULP BodyNet family, we believe the bio-telemetry markets offer significant opportunity.

IntriCon currently has a strong presence in both the diabetes and cardiac diagnostic monitoring bio-telemetry markets. For diabetes, IntriCon has partnered with Medtronic to manufacture their wireless continuous glucose monitors, sensors, and related accessories that measure glucose levels and deliver real-time blood glucose trend information. Our Medtronic business posted record revenue in 2015, led by the MiniLink REAL-Time Transmitter and related accessories sales, which are incorporated in Medtronic's MiniMed 530G insulin pump and continuous glucose monitoring, or CGM, system. We also manufacture various accessories associated with Medtronic's CGM system, including the recently announced MiniMed Connect, which links the MiniMed pump and CGM to certain smart devices providing users with a discrete and real-time view of their blood sugar information. In addition to the MiniMed 530G system, the products we manufacture also support Medtronic's international insulin pump system offerings, such as the recently unveiled MiniMed 640G system. Further, we believe there are opportunities to expand our diabetes product offering with Medtronic as well as move into new markets outside of the diabetes market.

In the cardiac diagnostic monitoring market, we provide solutions for ambulatory cardiac monitoring. Our first two product platforms, Sirona and Centauri, received FDA 510(k) approval in late 2011. The Sirona platform, which incorporates the PhysioLink technology, is essentially two products in one design: it can be used as an event recorder, a holter monitor or both. This platform is very small, rechargeable, and water spray proof. IntriCon is receiving feedback from its customers about the treatment flexibility and economic benefits of remote patient monitoring. The Company has contracts in place with lead customers for the Sirona platform and anticipates expanding that customer base during 2016.

IntriCon has a suite of medical coils and micro coils that it offers to various original equipment manufacturing (OEM) customers. These products are currently used in pacemaker programming and interventional catheter positioning applications. As part of the global restructuring initiative, the Company is increasing its investment of resources and capital to help expand our customer base and market share.

IntriCon manufactures bubble sensors and flow restrictors that monitor and control the flow of fluid in an intravenous infusion system as well as a family of safety needle products for an OEM customer that utilizes IntriCon's insert and straight molding capabilities. These products are assembled using full automation, including built-in quality checks within the production lines.

Lastly, IntriCon is targeting other emerging biotelemetry and home care markets, such as sleep apnea, that could benefit from its capabilities to develop devices that are more technologically advanced, smaller and lightweight. To do so, IntriCon is focusing more capital and resources in sales and marketing and research and development to expand its reach to other large medical device and health care companies.

Professional Audio Communications

IntriCon entered the high-quality audio communication device market in 2001, and now has a line of miniature, professional audio headset products used by customers focusing on emergency response needs. The line includes several communication devices that are extremely portable and perform well in noisy or hazardous environments. These products are well suited for applications in the fire, law enforcement, safety, aviation and military markets. In addition, the Company has a line of miniature ear- and head-worn devices used by performers and support staff in the music and stage performance markets. We believe performance in difficult listening environments and wireless operations will continue to improve as these products increasingly include our proprietary nanoDSP, wireless nanoLink and PhysioLink technologies.

For information concerning our net sales, net income and assets, see the consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

Core Technologies Overview:

Our core technologies expertise is focused on three main markets: medical bio-telemetry, value hearing health and professional audio communications. Over the past several years, the Company has increased investments in the continued development of four critical core technologies: Ultra-Low-Power (ULP) Digital Signal Processing (DSP), ULP Wireless, Microminiaturization, and Miniature Transducers. These four core technologies serve as the foundation of current and future product platform development, designed to meet the rising demand for smaller, portable, more advanced devices and the need for greater efficiencies in the delivery models. The continued advancements in this area have allowed the Company to further enhance the mobility and effectiveness of miniature body-worn devices.

ULP DSP
DSP converts real-world analog signals into a digital format. Through our nanoDSP™ technology, IntriCon offers an extensive range of ULP DSP amplifiers for hearing, medical and professional audio applications. Our proprietary nanoDSP incorporates advanced ultra-miniature hardware with sophisticated signal processing algorithms to produce devices that are smaller and more effective.

The Company further expanded its DSP portfolio including improvements to its Reliant CLEAR™ feedback canceller, offering increased added stable gain and faster reaction time. Additionally, the newly developed DSP technologies are utilized in our recently unveiled Audion8™ and Audion16™, our new eight-channel and wide dynamic range compression sixteen-channel hearing aid amplifiers. The amplifiers are feature-rich and are designed to fit a wide array of applications. In addition to multiple compression channels, the amplifiers have a complete set of proven adaptive features which greatly improve the user experience.

ULP Wireless
Wireless connectivity is fast becoming a required technology, and wireless capabilities are especially critical in new body-worn devices. IntriCon's BodyNet™ ULP technology, including the nanoLink™ and PhysioLink™ wireless systems, offers solutions for transmitting the body's activities to caregivers, and wireless audio links for professional communications and surveillance products. Potential BodyNet applications include electrocardiogram (ECG) diagnostics and monitoring, diabetes monitoring, sleep apnea studies and audio streaming for hearing devices.

IntriCon is in the final stages of commercializing its PhysioLink wireless technology, which will be incorporated into product platforms serving the medical, hearing health and professional audio communication markets. This system is based on 2.4GHz proprietary digital radio protocol in the industrial-scientific-medical (ISM) frequency band and enables audio and data streaming to ear-worn and body-worn applications over distances of up to five meters.

Microminiaturization
IntriCon excels at miniaturizing body-worn devices. We began honing our microminiaturization skills over 30 years ago, supplying components to the hearing health industry. Our core miniaturization technology allows us to make devices for our markets that are one cubic inch and smaller. We also are specialists in devices that run on very low power, as evidenced by our ULP wireless and DSP.

Less power means a smaller battery, which enables us to reduce size even further, and develop devices that fit into the palm of one's hand.

Miniature Transducers
IntriCon's advanced transducer technology has been pushing the limits of size and performance for over a decade. Included in our transducer line are our miniature medical coils and micro coils used in pacemaker programming and interventional catheter positioning applications. We believe with the increase of greater interventional care that our coil technology harbors significant value.

Marketing and Competition:
IntriCon intends to focus more capital and resources in marketing and sales to expand its reach into the emerging value hearing health market and large medical device and healthcare companies in the medical bio-telemetry market outlined above. The Company believes this will allow us to advance our technology portfolio, advance new product platforms, strengthen customer relationships and expand our market knowledge.

Currently, IntriCon sells its hearing device products directly to domestic hearing instrument manufacturers, and distributors and partnerships through an internal sales force. Sales of medical and professional audio communications products are also made primarily through an internal sales force. In recent years, a small number of companies have accounted for a substantial portion of the Company's sales.

Internationally, sales representatives employed by IntriCon GmbH ("GmbH"), a wholly owned German subsidiary, solicit sales from European hearing instrument, medical device and professional audio communications manufacturers and suppliers.

In recent years, a small number of customers have accounted for a substantial portion of the Company's sales. In 2015, one customer accounted for approximately 42 percent of the Company's net sales. During 2015, the top five customers accounted for approximately $41,770, or 60 percent, of the Company's net sales. See Note 5 to the consolidated financial statements for a discussion of net sales and long-lived assets by geographic area.

IntriCon believes that it is the largest supplier worldwide of micro-miniature electromechanical components to hearing instrument manufacturers and that its full product line, automated manufacturing process and low cost manufacturing capabilities in Asia, allow it to compete effectively with other manufacturers within this market. In the market of hybrid amplifiers and molded plastic faceplates, hearing instrument manufacturers produce a substantial portion of their internal needs for these components.

IntriCon markets its high performance microphone products to the radio communication and professional audio industries and has several larger competitors who have greater financial resources. IntriCon holds a small market share in the global market for microphone capsules and other related products.

Employees. As of December 31, 2015, the Company had a total of 646 full time equivalent employees, of whom 44 are executive and administrative personnel, 22 are sales personnel, 30 are engineering personnel and 550 are operations personnel. The Company considers its relations with its employees to be satisfactory. None of the Company's employees are represented by a union.

As a supplier of consumer and medical products and parts, IntriCon is subject to claims for personal injuries allegedly caused by its products. The Company maintains what it believes to be adequate insurance coverage.

Research and Development. IntriCon conducts research and development activities primarily to improve its existing products and proprietary technology. The Company is committed to increasing its investment in the research and development of proprietary technologies, such as the ULP nanoDSP and ULP wireless technologies. The Company believes the continued development of key proprietary technologies will be the catalyst for long-term revenues and margin growth. Research and development expenditures were $5,214, $4,832, and $4,181 in 2015, 2014 and 2013, respectively. These amounts are net of customer and grant reimbursed research and development. In 2013, the Company obtained a Minnesota research and development tax credit of $567, which lowered the research and development expenditures for the year.

IntriCon owns a number of United States patents which cover a number of product designs and processes. Although the Company believes that these patents collectively add value to the Company, the costs associated with the submission of patent applications are expensed as incurred given the uncertainty of the patents providing future economic benefit to the Company.

Regulation. A large portion of our business operates in a marketplace subject to extensive and rigorous regulation by the FDA and by comparable agencies in foreign countries. In the United States, the FDA regulates the design control, development, manufacturing, labeling, record keeping, and surveillance procedures for medical devices.

United States Food and Drug Administration
FDA regulations classify medical devices based on perceived risk to public health as either Class I, II or III devices. Class I devices are subject to general controls, Class II devices are subject to special controls and Class III devices are subject to pre-market approval ("PMA") requirements. While most Class I devices are exempt from pre-market submission, it is necessary for most Class II devices to be cleared by a 510(k) pre-market notification prior to marketing. 510(k) establishes that the device is "substantially equivalent" to a legally marketed predicate device which was legally marketed prior to May 28, 1976 or which itself has been found to be

substantially equivalent, through the 510(k) process, after May 28, 1976. It is "substantially equivalent" if it has the same intended use and the same technological characteristics as the predicate. The 510(k) pre-market notification must be supported by data establishing the claim of substantial equivalence to the satisfaction of the FDA. The process of obtaining a 510(k) clearance typically can take several months to a year or longer. If the product is notably new or different and substantial equivalence cannot be established, the FDA will require the manufacturer to submit a PMA application for a Class III device that must be reviewed and approved by the FDA prior to sale and marketing of the device in the United States. The process of obtaining PMA approval can be expensive, uncertain, lengthy and frequently requires anywhere from one to several years from the date of FDA submission, if approval is obtained at all. The FDA controls the indicated uses for which a product may be marketed and strictly prohibits the marketing of medical devices for unapproved uses. The FDA can withdraw products from the market for failure to comply with laws or the occurrence of safety risks.

All of our current hearing aid devices are air conduction devices and, as such, are Class I medical devices, exempt from the 510(k) submission process. They are typically marketed to FDA approved manufacturers with IntriCon assisting in the design, development and production. Our ECG recorder devices are classified as Class II medical devices and have received 510(k) clearance from the FDA. Our manufacturing operations are subject to periodic inspections by the FDA, whose primary purpose is to audit the Company's compliance with the Quality System Regulations published by the FDA and other applicable government standards. Strict regulatory action may be initiated in response to audit deficiencies or to product performance problems. We believe that our manufacturing and quality control procedures are in compliance with the requirements of the FDA regulations. Our most recent FDA audit was conducted in August of 2015.

International Regulation
International regulatory bodies have established varying regulations governing product standards, packaging and labeling requirements, import restrictions, tariff regulations, duties and tax. Many of these regulations are similar to those of the FDA. We believe we are in compliance with the regulatory requirements in the foreign countries in which our medical devices are marketed.

The registration system for our medical devices in the EU requires that our quality system conform to international quality standards and that our medical devices conform to "essential requirements" set forth by the Medical Device Directive ("MDD"). Manufacturing facilities and processes under which our ECG recorder devices are produced are inspected and audited by our International Organization for Standardization ("ISO") registrar British Standards Institute ("BSI"). Our authorized representative, CE Partner 4U, maintains our technical file and registers our products with competent authorities in all EU member states. Manufacturing facilities and processes under which all of our other medical devices are produced are inspected and audited annually by the BSI. These audits verify our compliance with the essential requirements of the MDD. These certifying bodies verify that our quality system conforms to the international quality standard ISO 13485:2003 and that our products conform to the "essential requirements" and "supplementary requirements" set forth by the MDD for the class of medical devices we produce. These certifying bodies also certify our conformity with both the quality standards and the MDD requirements, entitling us to place the "CE" mark on all of our ECG recorder devices. Our hearing aid devices typically bear the CE mark of our customers who assume regulatory responsibilities for those devices. In 2014, IntriCon obtained "CE" certification for our own hearing aid devices and we are prepared to supply these devices into the European market.

Third Party Reimbursement
The availability and level of reimbursement from third-party payers for procedures utilizing our products is significant to our business. Our products are purchased primarily by OEM customers who sell into clinics, hospitals and other end-users, who in turn bill various third party payers for the services provided to the patients. These payers, which include Medicare, Medicaid, private health insurance plans and managed care organizations, reimburse all or part of the costs and fees associated with the procedures utilizing our products.

In response to the national focus on rising health care costs, a number of changes to reduce costs have been proposed or have begun to emerge. There have been, and may continue to be, proposals by legislators, regulators and third party payers to curb these costs. The development or increased use of more cost effective treatments for diseases could cause such payers to decrease or deny reimbursement for surgeries or devices to favor alternatives that do not utilize our products. A significant number of Americans enroll in some form of managed care plan. Higher managed care utilization typically drives down the payments for health care procedures, which in turn places pressure on medical supply prices. This causes hospitals to implement tighter vendor selection and certification processes, by reducing the number of vendors used, purchasing more products from fewer vendors and trading discounts on price for guaranteed higher volumes to vendors. Hospitals have also sought to control and reduce costs over the last decade by joining group purchasing organizations or purchasing alliances. We cannot predict what continuing or future impact these practices, the existing or proposed legislation, or such third-party payer measures within a constantly changing healthcare landscape may have on our future business, financial condition or results of operations.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Annual Report on Form 10-K or the Company's other public filings and releases, which are not historical facts, or that include forward-looking terminology such as "may", "will", "believe", "anticipate", "expect", "should", "optimistic" or "continue", "estimate", "intend", "plan", "would", "could", "guidance", "potential", "opportunity", "project", "forecast", "confident", "projections", "schedule", "designed", "future", "discussion", "if" or the negative thereof or other variations thereof, are forward-looking statements (as such term is defined in Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933, and the regulations thereunder), which are intended to be covered by the safe harbors created thereby. These statements may include, but are not limited to statements in "Business," "Legal Proceedings", "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Notes to the Consolidated Financial Statements", such as the Company's ability to compete, statements concerning expected expenses and cost savings from the global restructuring, strategic alliances and their benefits, the adequacy of insurance coverage, government regulation, potential increases in demand for the Company's products, net operating loss carryforwards, the ability to meet cash requirements for operating needs, the ability to meet liquidity needs, assumptions used to calculate future levels of funding of employee benefit plans, the adequacy of insurance coverage, the impacts of new accounting pronouncements and litigation.

Forward-looking statements also include, without limitation, statements as to the Company's expected future results of operations and growth, the Company's ability to meet working capital requirements, the Company's business strategy, the expected increases in operating efficiencies, anticipated trends in the Company's body-worn device markets, the effect of compliance with environmental protection laws and other government regulations, estimates of goodwill impairments and amortization expense of other intangible assets, estimates of asset impairment, the effects of changes in accounting pronouncements, the effects of litigation and the amount of insurance coverage, and statements as to trends or the Company's or management's beliefs, expectations and opinions. Forward-looking statements are subject to risks and uncertainties and may be affected by various risks, uncertainties and other factors that can cause actual results and developments to be materially different from those expressed or implied by such forward-looking statements, including, without limitation, the risk factors discussed in Item 1A of this Annual Report on Form 10-K.

The Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.

Available Information

The Company files or furnishes its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other information with the SEC. You may read and copy any reports, statements and other information that the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, on official business days during the hours of 10:00 a.m. to 3:00 p.m. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The Company's reports, proxy and information statements and other SEC filings are also available on the SEC's website as part of the EDGAR database (http://www.sec.gov).

The Company maintains an internet web site at www.IntriCon.com. The Company maintains a link to the SEC's website by which you may review its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended.

The information on the website listed above, is not and should not be considered part of this annual report on Form 10-K and is not incorporated by reference in this document. This website is and is only intended to be an inactive textual reference.

In addition, we will provide, at no cost (other than for exhibits), paper or electronic copies of our reports and other filings made with the SEC. Requests should be directed to:

Corporate Secretary
IntriCon Corporation
1260 Red Fox Road
Arden Hills, MN 55112

ITEM 1A. Risk Factors

You should carefully consider the risks described below. If any of the risks events actually occur, our business, financial condition or results of future operations could be materially adversely affected. This Annual Report on Form 10-K contains forward-looking statements that involve risk and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by us described below and elsewhere in this Annual Report on Form 10-K.

We have experienced and expect to continue to experience fluctuations in our results of operations, which could adversely affect us.

Factors that affect our results of operations include, but are not limited to, the volume and timing of orders received, changes in the global economy and financial markets, changes in the mix of products sold, market acceptance of our products and our customer's products, competitive pricing pressures, global currency valuations, the availability of electronic components that we purchase from suppliers, our ability to meet demand, our ability to introduce new products on a timely basis, the timing of new product announcements and introductions by us or our competitors, changing customer requirements, delays in new product qualifications, and the timing and extent of research and development expenses. These factors have caused and may continue to cause us to experience fluctuations in operating results on a quarterly and/or annual basis. These fluctuations could materially adversely affect our business, financial condition and results of operations, which in turn, could adversely affect the price of our common stock.

The loss of one or more of our major customers could adversely affect our results of operations.

We are dependent on a small number of customers for a large portion of our revenues. In fiscal year 2015, our largest customer accounted for approximately 42 percent of our net sales and our five largest customers accounted for approximately 60 percent of our net sales. A significant decrease in the sales to or loss of any of our major customers could have a material adverse effect on our business and results of operations. Our revenues are largely dependent upon the ability of customers to develop and sell products that incorporate our products. No assurance can be given that our major customers will not experience financial, technical or other difficulties that could adversely affect their operations and, in turn, our results of operations.

We may not be able to collect outstanding accounts receivable from our customers.

Some of our customers purchase our products on credit, which may cause a concentration of accounts receivable among some of our customers. As of December 31, 2015, we had accounts receivable, less allowance for doubtful accounts, of $8,578, which represented approximately 45 percent of our shareholders' equity as of that date. As of that date, two customers accounted for a combined total of 27 percent of our accounts receivable. Our financial condition and profitability may be harmed if one or more of our customers are unable or unwilling to pay these accounts receivable when due.

Despite signs of improvement in economic conditions, downturns in the domestic economic environment could cause a severe disruption in our operations.

Our business has been negatively impacted by the domestic economic environment in recent years. If the economy does not continue to improve, or worsens, there could be several severely negative implications to our business that may exacerbate many of the risk factors we identified including, but not limited to, the following:

Liquidity:

- The domestic economic environment and the associated credit crisis could worsen and reduce liquidity and this could have a negative impact on financial institutions and the country's financial system, which could, in turn, have a negative impact on our business.
- We may not be able to borrow additional funds under our existing credit facility and may not be able to expand our existing facility if our lender becomes insolvent or its liquidity is limited or impaired or if we fail to meet covenant levels going forward. In addition, we may not be able to renew our existing credit facility at the conclusion of its current term in February 2019 or renew it on terms that are favorable to us.
- During the last few years the Federal Reserve Board's involvement in the purchase of U.S. government debt securities, commonly know as "quantitative easing," has caused interest rates to be lower than they would have been without such involvement. As a result of the end of quantitative easing in October 2014, and the recent decision by the Federal Reserve to raise the target federal funds rate, interest rates could begin to rise, which could disrupt domestic and world markets and could adversely affect our liquidity and results of operations.

Demand:

- Any deterioration in the economy or a return to recession could result in lower sales to our customers. Additionally, our customers may not have access to sufficient cash or short-term credit to obtain our products or services.

Prices:

- Certain markets could experience deflation, which would negatively impact our average prices and reduce our margins.

Health care policy changes, including U.S. health care reform legislation signed in 2010, may have a material adverse effect on us.

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act of 2010. The legislation imposes significant new taxes on medical device makers in the form of a 2.3% excise tax on all U.S. medical device sales beginning in January 2013. Under the legislation, the total cost to the medical device industry is expected to be approximately $30 billion over ten years. This significant increase in the tax burden on our industry could have a material, negative impact on our results of operations and our cash flows either directly, through taxes on us, or indirectly through others in our value chain being subject to the tax. Although the direct impact of the excise tax is expected to be immaterial on us, if facts or circumstances change in our business relationships, we could be subject to customer pricing pressures or required to pay additional taxes under the rules. Other elements of this legislation, such as comparative effectiveness research, an independent payment advisory board, payment system reforms, including shared savings pilots, and other provisions, could meaningfully change the way health care is developed and delivered, and may materially impact numerous aspects of our business. In December 2015, legislation suspended the 2.3% medical device tax for fiscal years 2016 and 2017, but the tax would go back into effect on December 31, 2017 unless further legislation is adopted.

If we are unable to continue to develop new products that are inexpensive to manufacture, our results of operations could be adversely affected.

We may not be able to continue to achieve our historical profit margins due to advancements in technology. The ability to continue our profit margins is dependent upon our ability to stay competitive by developing products that are technologically advanced and inexpensive to manufacture.

Our need for continued investment in research and development may increase expenses and reduce our profitability.

Our industry is characterized by the need for continued investment in research and development. If we fail to invest sufficiently in research and development, our products could become less attractive to existing and potential customers and our business and financial condition could be materially and adversely affected. As a result of the need to maintain or increase spending levels in this area and the difficulty in reducing costs associated with research and development, our operating results could be materially harmed if our research and development efforts fail to result in new products or if revenues fall below expectations. In addition, as a result of our commitment to invest in research and development, management believes that research and development expenses as a percentage of revenues could increase in the future.

We operate in a highly competitive business and if we are unable to be competitive, our financial condition could be adversely affected.

Several of our competitors have been able to offer more standardized and less technologically advanced hearing and professional audio communication products at lower prices. Price competition has had an adverse effect on our sales and margins. Many of our competitors are larger than us and have greater research and development resources, marketing and financial resources, manufacturing capability and customer support organizations than we have. There can be no assurance that we will be able to maintain or enhance our technical capabilities or compete successfully with our existing and future competitors.

Merger and acquisition activity in our hearing health market has resulted in a smaller customer base. Reliance on fewer customers may have an adverse effect on us.

Several of our customers in the hearing health market have undergone mergers or acquisitions, resulting in a smaller customer base with larger customers. If we are unable to maintain satisfactory relationships with the reduced customer base, it may adversely affect our operating profits and revenue.

Unfavorable legislation in the hearing health market may decrease the demand for our products, and may negatively impact our financial condition.

In some of our foreign markets, government subsidies cover a portion of the cost of hearing aids. A change in legislation that would reduce or eliminate these subsidies could decrease the demand for our hearing health products. This could result in an adverse effect on our operating results. We are unable to predict the likelihood of any such legislation.

Our failure, or the failure of our customers, to obtain required governmental approvals and maintain regulatory compliance for regulated products would adversely affect our ability to generate revenue from those products.

The markets in which our business operates are subject to extensive and rigorous regulation by the FDA and by comparable agencies in foreign countries. In the United States, the FDA regulates the design control, development, manufacturing, labeling, record keeping, and surveillance procedures for our medical devices and those of our customers

The process of obtaining marketing clearance or approvals from the FDA for new products and new applications for existing products can be time-consuming and expensive, and there is no assurance that such clearance/approvals will be granted, or that the FDA review will not involve delays that would adversely affect our ability to commercialize additional products or additional applications for existing products. Some of our products in the research and development stage may be subject to a lengthy and expensive pre-market approval process with the FDA. The FDA has the authority to control the indicated uses of a device. Products can also be withdrawn from the market due to failure to comply with regulatory standards or the occurrence of unforeseen problems. The FDA regulations depend heavily on administrative interpretation, and there can be no assurance that future interpretations made by the FDA or other regulatory bodies, with possible retroactive effect, will not adversely affect us.

The registration system for our medical devices in the EU requires that our quality system conform to international quality standards. Manufacturing facilities and processes under which our ECG recorder devices and hearing aid devices are produced, are inspected and audited by various certifying bodies. These audits verify our compliance with applicable requirements and standards. Further, the FDA, various state agencies and foreign regulatory agencies inspect our facilities to determine whether we are in compliance with various regulations relating to quality systems, such as manufacturing practices, validation, testing, quality control, product labeling and product surveillance. A determination that we are in violation of such regulations could lead to imposition of civil penalties, including fines, product recalls or product seizures, suspensions or shutdown of production and, in extreme cases, criminal sanctions, depending on the nature of the violation.

Further, to the extent that any of our customers to whom we supply products become subject to regulatory actions or delays, our sales to those customers could be reduced, delayed or suspended, which could have a material adverse effect on our sales and earnings.

Implementation of our growth strategy may not be successful, which could affect our ability to increase revenues.

Our growth strategy includes developing new products and entering new markets, as well as identifying and integrating acquisitions. Our ability to compete in new markets will depend upon a number of factors including, among others:

- our ability to create demand for products in new markets;
- our ability to manage growth effectively;
- our ability to strengthen our sales and marketing presence;
- our ability to successfully identify, complete and integrate acquisitions;
- our ability to respond to changes in our customers' businesses by updating existing products and introducing, in a timely fashion, new products which meet the needs of our customers;
- the quality of our new products; and
- our ability to respond rapidly to technological change.

The failure to do any of the foregoing could have a material adverse effect on our business, financial condition and results of operations. In addition, we may face competition in these new markets from various companies that may have substantially greater research and development resources, marketing and financial resources, manufacturing capability and customer support organizations.

We have foreign operations in Singapore, Indonesia, the United Kingdom and Germany, and various factors relating to our international operations could affect our results of operations.

In 2015, we operated in Singapore, Indonesia, the United Kingdom and Germany. Approximately 15 percent of our revenues were derived from our facilities in these countries in 2015. As of December 31, 2015 approximately 24 percent of our long-lived assets are located in these countries. Political or economic instability in these countries could have an adverse impact on our results of operations due to diminished revenues in these countries. Our future revenues, costs of operations and profit results could be affected by a number of factors related to our international operations, including changes in foreign currency exchange rates, changes in economic conditions from country to country, changes in a country's political condition, trade protection measures, licensing and other legal requirements and local tax issues. Unanticipated currency fluctuations in the British pound, euro, Singapore dollar and other

currencies could lead to lower reported consolidated revenues due to the translation of this currency into U.S. dollars when we consolidate our revenues and results from operations.

The recent recessions in Europe and the debt crisis in certain countries in the European Union could negatively affect our ability to conduct business in those geographies.

The recent debt crisis in certain European countries could cause the value of the euro to deteriorate, reducing the purchasing power of our European customers. Financial difficulties experienced by our suppliers and customers, including distributors, could result in product delays and inventory issues; risks to accounts receivable could also include delays in collection and greater bad debt expense. Also, the effect of the debt crisis in certain European countries could have an adverse effect on the capital markets generally, specifically impacting our ability and the ability of our customers to finance our and their respective businesses on acceptable terms, if at all, the availability of materials and supplies and demand for our products.

We recently completed the acquisition of the assets of PC Werth and we may explore other acquisitions that complement or expand our business. Acquisitions pose significant risks and may materially adversely affect our business, financial condition and operating results.

We recently completed the acquisition of the assets of PC Werth. We may 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 these opportunities or, if we do identify these opportunities, we may not be able to complete the transactions for various reasons, including a failure to secure financing. The PC Werth acquisition, and any other transactions that we are able to identify and complete, 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; unanticipated liabilities and litigation; 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. Future acquisitions also may result in dilutive issuances of equity securities or the incurrence of additional debt.

We may experience difficulty in paying our debt when it comes due, which could limit our ability to obtain financing.

As of December 31, 2015, we had bank debt of $9,837. Our ability to pay the principal and interest on our indebtedness as it comes due will depend upon our current and future performance. Our performance is affected by general economic conditions and by financial, competitive, political, business and other factors. Many of these factors are beyond our control. We believe that availability under our existing credit facility combined with funds expected to be generated from operations and control of capital spending will be sufficient to meet our anticipated cash requirements for operating needs for at least the next 12 months. If, however, we are unable to renew these facilities or obtain waivers for covenant defaults in the future or do not generate sufficient cash, we may be required to seek additional financing or sell equity on terms which may not be as favorable as we could have otherwise obtained. No assurance can be given that any refinancing, additional borrowing or sale of equity will be possible when needed or that we will be able to negotiate acceptable terms. In addition, our access to capital is affected by prevailing conditions in the financial and equity capital markets, as well as our own financial condition and performance. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources".

If we fail to meet our financial and other covenants under our loan agreements with our lenders, absent a waiver, we will be in default of the loan agreements and our lenders can take actions that would adversely affect our business.

There can be no assurances that we will be able to maintain compliance with the financial and other covenants in our loan agreements. In the event we are unable to comply with these covenants during future periods, it is uncertain whether our lenders will grant waivers for our non-compliance. If there is an event of default by us under our loan agreements, our lenders have the option to, among other things, accelerate any and all of our obligations under the loan agreements which would have a material adverse effect on our business, financial condition and results of operations.

Our success depends on our senior management team and if we are not able to retain them, it could have a materially adverse effect on us.

We are highly dependent upon the continued services and experience of our senior management team, including Mark S. Gorder, our President, Chief Executive Officer and director. We depend on the services of Mr. Gorder and the other members of our senior management team to, among other things, continue the development and implementation of our business strategies and maintain and develop our client relationships. We do not maintain key-man life insurance for any members of our senior management team.

Cybersecurity incidents could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation and results of operations.

Global cybersecurity threats can range from uncoordinated individual attempts to gain unauthorized access to our information technology (IT) systems to sophisticated and targeted measures known as advanced persistent threats. While we employ comprehensive measures to prevent, detect, address and mitigate these threats (including access controls, vulnerability assessments,

continuous monitoring of our IT networks and systems and maintenance of backup and protective systems), cybersecurity incidents, depending on their nature and scope, could potentially result in the misappropriation, destruction, corruption or unavailability of critical data and confidential or proprietary information (our own or that of third parties) and the disruption of business operations. The potential consequences of a material cybersecurity incident include reputational damage, loss of customers, litigation with customers and other parties, loss of trade secrets and other proprietary business data, diminution in the value of our investment in research, development and engineering, and increased cybersecurity protection and remediation costs, which in turn could adversely affect our competitiveness and results of operations.

Our future success depends in part on the continued service of our engineering and technical personnel and our ability to identify, hire and retain additional personnel.

There is intense competition for qualified personnel in our markets. We may not be able to continue to attract and retain engineers or other qualified personnel necessary for the development and growth of our business or to replace engineers or other qualified personnel who may leave our employ in the future. The failure to retain and recruit key technical personnel could cause additional expense, potentially reduce the efficiency of our operations and could harm our business.

We and/or our customers may be unable to protect our and their proprietary technology and intellectual property rights or keep up with that of competitors.

Our ability to compete effectively against other companies in our markets depends, in part, on our ability and the ability of our customers to protect our and their current and future proprietary technology under patent, copyright, trademark, trade secret and unfair competition laws. We cannot assure that our means of protecting our proprietary rights in the United States or abroad will be adequate, or that others will not develop technologies similar or superior to our technology or design around the proprietary rights we own or license. In addition, we may incur substantial costs in attempting to protect our proprietary rights.

Also, despite the steps taken by us to protect our proprietary rights, it may be possible for unauthorized third parties to copy or reverse-engineer aspects of our and our customers' products, develop similar technology independently or otherwise obtain and use information that we or our customers regard as proprietary. We and our customers may be unable to successfully identify or prosecute unauthorized uses of our or our customers' technology.

If we become subject to material intellectual property infringement claims, we could incur significant expenses and could be prevented from selling specific products.

We may become subject to material claims that we infringe the intellectual property rights of others in the future. We cannot assure that, if made, these claims will not be successful. Any claim of infringement could cause us to incur substantial costs defending against the claim even if the claim is invalid, and could distract management from other business. Any judgment against us could require substantial payment in damages and could also include an injunction or other court order that could prevent us from offering certain products.

Environmental liability and compliance obligations may affect our operations and results.

Our manufacturing operations are subject to a variety of environmental laws and regulations as well as internal programs and policies governing:

- air emissions;
- wastewater discharges;
- the storage, use, handling, disposal and remediation of hazardous substances, wastes and chemicals; and
- employee health and safety.

If violations of environmental laws occur, we could be held liable for damages, penalties, fines and remedial actions. Our operations and results could be adversely affected by any material obligations arising from existing laws, as well as any required material modifications arising from new regulations that may be enacted in the future. We may also be held liable for past disposal of hazardous substances generated by our business or former businesses or businesses we acquire. In addition, it is possible that we may be held liable for contamination discovered at our present or former facilities.

We are subject to numerous asbestos-related lawsuits, which could adversely affect our financial position, results of operations or liquidity.

We are a defendant along with a number of other parties in lawsuits alleging that plaintiffs have or may have contracted asbestos-related diseases as a result of exposure to asbestos products or equipment containing asbestos sold by one or more named defendants. These lawsuits relate to the discontinued heat technologies segment which we sold in March 2005. Due to the non-informative nature of the complaints, we do not know whether any of the complaints state valid claims against us. Certain insurance carriers have informed us that the primary policies for the period August 1, 1970-1978 have been exhausted and that the carriers will no longer provide defense and insurance coverage under those policies. However, we have other primary and excess insurance policies that we believe afford coverage for later years. Some of these other primary insurers have accepted defense and insurance coverage for these

suits, and some of them have either ignored our tender of defense of these cases, or have denied coverage, or have accepted the tenders but asserted a reservation of rights and/or advised us that they need to investigate further. Because settlement payments are applied to all years a litigant was deemed to have been exposed to asbestos, we believe we will have funds available for defense and insurance coverage under the non-exhausted primary and excess insurance policies. However, unlike the older policies, the more recent policies have deductible amounts for defense and settlements costs that we will be required to pay; accordingly, we expect that our litigation costs will increase in the future as the older policies are exhausted. Further, many of the policies covering later years (approximately 1984 and thereafter) have exclusions for any asbestos products or operations, and thus do not provide insurance coverage for asbestos-related lawsuits. If our insurance policies do not cover the costs and any awards for the asbestos-related lawsuits, we will have to use our cash or obtain additional financing to pay the asbestos-related obligations and settlement costs. There is no assurance that we will have the cash or be able to obtain additional financings on favorable terms to pay asbestos related obligations or settlements should they occur. The ultimate outcome of any legal matter cannot be predicted with certainty. In light of the significant uncertainty associated with asbestos lawsuits, there is no guarantee that these lawsuits will not materially adversely affect our financial position, results of operations or liquidity.

The market price of our common stock has been and is likely to continue to be volatile and there has been limited trading volume in our stock, which may make it difficult for shareholders to resell common stock when they want to and at prices they find attractive.

The market price of our common stock has been and is likely to be highly volatile, and there has been limited trading volume in our common stock. The common stock market price could be subject to wide fluctuations in response to a variety of factors, including the following:

- announcements of fluctuations in our or our competitors' operating results;
- the timing and announcement of sales or acquisitions of assets by us or our competitors;
- changes in estimates or recommendations by securities analysts;
- adverse or unfavorable publicity about our products, technologies or us;
- the commencement of material litigation, or an unfavorable verdict, against us;
- terrorist attacks, war and threats of attacks and war;
- additions or departures of key personnel; and
- sales of common stock.

In addition, the stock market in recent years has experienced significant price and volume fluctuations. Such volatility has affected many companies irrespective of, or disproportionately to, the operating performance of these companies. These broad fluctuations and limited trading volume may materially adversely affect the market price of our common stock, and your ability to sell our common stock.

Most of our outstanding shares are available for resale in the public market without restriction. The sale of a large number of these shares could adversely affect the share price and could impair our ability to raise capital through the sale of equity securities or make acquisitions for common stock.

"Anti-takeover" provisions may make it more difficult for a third party to acquire control of us, even if the change in control would be beneficial to shareholders.

We are a Pennsylvania corporation. Anti-takeover provisions in Pennsylvania law and our charter and bylaws could make it more difficult for a third party to acquire control of us. These provisions could adversely affect the market price of the common stock and could reduce the amount that shareholders might receive if we are sold. For example, our charter provides that the board of directors may issue preferred stock without shareholder approval. In addition, our bylaws provide for a classified board, with each board member serving a staggered three-year term. Directors may be removed by shareholders only with the approval of the holders of at least two-thirds of all of the shares outstanding and entitled to vote.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential shareholders and customers could lose confidence in our financial reporting, which could harm our business, the trading price of our stock and our ability to retain our current customers or obtain new customers.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, referred to as Section 404, we are required to include in our Annual Reports on Form 10-K, our management's report on internal control over financial reporting. Currently, we are not required to include a report of our independent registered public accounting firm on our internal controls because we are a "smaller reporting company" under SEC rules; therefore, shareholders do not have the benefit of an independent review of our internal controls. While we have reported no "material weaknesses" in the Form 10-K for the fiscal year ended December 31, 2015, we cannot guarantee that we will not have material weaknesses in the future. Compliance with the requirements of Section 404 is expensive and time-consuming. If in the future we fail to complete this evaluation in a timely manner, or if we determine that we have a material weakness, we could be subject to regulatory scrutiny and a loss of public confidence in our internal control over financial reporting. In addition, any failure to establish an effective system of disclosure controls and procedures could cause our current and potential investors and customers to lose confidence in our financial reporting and disclosure required under the Securities Exchange Act of 1934, which could adversely affect our business and the market price of our common stock.

ITEM 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

The Company leases seven facilities, three domestically and four internationally, as follows:

- a 47,000 sq. ft. manufacturing facility in Arden Hills, Minnesota, which also serves as the Company's headquarters, from a partnership consisting of two former officers of IntriCon Inc. and Mark S. Gorder who serves as the chairman of the board, president and CEO of the Company. At this facility, the Company manufactures body-worn devices, other than plastic component parts. Annual base rent expense, including real estate taxes and other charges, is approximately $486. The Company believes the terms of the lease agreement are comparable to those which could be obtained from unaffiliated third parties. As amended, this lease expires in November 2016.
- a 46,000 sq. ft. building in Vadnais Heights, Minnesota at which IntriCon produces plastic component parts for body-worn devices. Annual base rent expense, including real estate taxes and other charges, is approximately $406. This lease expires in December 2017.
- a 4,000 square foot building in Escondido, California, which houses assembly operations and administrative offices relating to our cardiac monitoring business. Annual base rent expense, including real estate taxes and other charges, is approximately $47. This lease expires in April 2016.
- a 28,000 square foot building in Singapore which houses production facilities and administrative offices. Annual base rent expense, including real estate taxes and other charges, of the 24,000 square foot portion of the building we use is approximately $366. This lease expires in October 2020.
- a 15,000 square foot facility in Indonesia which houses production facilities. Annual base rent expense, including real estate taxes and other charges is approximately $97. This lease expires in July 2016.
- a 2,000 square foot facility in Germany which houses sales and administrative offices. Annual base rent expense, including real estate taxes and other charges, is approximately $30. This lease expires in June 2017.
- a facility in United Kingdom which houses sales and administrative offices. Annual base rent expense, including real estate taxes and other charges, is approximately $252. This lease expires in April 2016.

See Notes 14 and 15 to the Company's consolidated financial statements in Item 8 of the Annual Report on Form 10-K.

ITEM 3. Legal Proceedings

The Company is a defendant along with a number of other parties in lawsuits alleging that plaintiffs have or may have contracted asbestos-related diseases as a result of exposure to asbestos products or equipment containing asbestos sold by one or more named defendants. These lawsuits relate to the discontinued heat technologies segment which was sold in March 2005. Due to the non-informative nature of the complaints, the Company does not know whether any of the complaints state valid claims against the Company. Certain insurance carriers have informed the Company that the primary policies for the period August 1, 1970-1978 have been exhausted and that the carriers will no longer provide defense and insurance coverage under those policies. However, the Company has other primary and excess insurance policies that the Company believes afford coverage for later years. Some of these other primary insurers have accepted defense and insurance coverage for these suits, and some of them have either ignored the Company's tender of defense of these cases, or have denied coverage, or have accepted the tenders but asserted a reservation of rights and/or advised the Company that they need to investigate further. Because settlement payments are applied to all years a litigant was deemed to have been exposed to asbestos, the Company believes that it will have funds available for defense and insurance coverage under the non-exhausted primary and excess insurance policies. However, unlike the older policies, the more recent policies have deductible amounts for defense and settlements costs that the Company will be required to pay; accordingly, the Company expects that its litigation costs will increase in the future. Further, many of the policies covering later years (approximately 1984 and thereafter) have exclusions for any asbestos products or operations, and thus do not provide insurance coverage for asbestos-related lawsuits. The Company does not believe that the asserted exhaustion of some of the primary insurance coverage for the 1970-1978 period will have a material adverse effect on its financial condition, liquidity, or results of operations. Management believes that the number of insurance carriers involved in the defense of the suits, and the significant number of policy years and policy limits under which these insurance carriers are insuring the Company, make the ultimate disposition of these lawsuits not material to the Company's consolidated financial position or results of operations.

The Company's former wholly owned French subsidiary, Selas SAS, filed for insolvency in France. The Company may be subject to additional litigation or liabilities as a result of the completion of the French insolvency proceeding, including liabilities under guarantees aggregating approximately $421.

The Company is also involved in other lawsuits arising in the normal course of business, as further described in Note 14 to the consolidated financial statements in Item 8. While it is not possible to predict with certainty the outcome of these matters, management is of the opinion that the disposition of these lawsuits and claims will not materially affect the Company's consolidated financial position, liquidity, or results of operations.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 4A. Executive Officers of the Registrant

The names, ages and offices (as of February 23, 2016) of the Company's executive officers were as follows:

Name	Age	Position
Mark S. Gorder	69	President, Chief Executive Officer and Director of the Company
Scott Longval	39	Chief Financial Officer and Treasurer of the Company
Michael P. Geraci	57	Vice President, Sales and Marketing
Dennis L. Gonsior	57	Vice President, Global Operations
Greg Gruenhagen	62	Vice President, Corporate Quality and Regulatory Affairs

Mr. Gorder joined the Company in October 1993 when Resistance Technology, Inc. (RTI) (now known as IntriCon, Inc.) was acquired by the Company. Mr. Gorder received a Bachelor of Arts degree in Mathematics from the St. Olaf College, a Bachelor of Science degree in Electrical Engineering from the University of Minnesota and a Master of Business Administration from the University of Minnesota. Prior to the acquisition, Mr. Gorder was President and one of the founders of RTI, which began operations in 1977. Mr. Gorder was promoted to Vice President of the Company and elected to the Board of Directors in April 1996. In December 2000, he was elected President and Chief Operating Officer and in April 2001, Mr. Gorder assumed the role of Chief Executive Officer.

Mr. Longval has served as the Company's Chief Financial Officer since July 2006. Mr. Longval received a Bachelor of Science degree in Accounting from the University of St. Thomas. Prior to being appointed as CFO, Mr. Longval served as the Company's Corporate Controller since September 2005. Prior to joining the Company, Mr. Longval was Principal Project Analyst at ADC Telecommunications, Inc., a provider of innovative network infrastructure products and services, from March 2005 until September 2005. From May 2002 until March 2005 he was employed by Accellent, Inc., formerly MedSource Technologies, a provider of outsourcing solutions to the medical device industry, most recently as Manager of Financial Planning and Analysis. From September 1998 until April 2002, he was employed by Arthur Andersen, most recently as experienced audit senior.

Mr. Geraci joined the Company in October 1983. Mr. Geraci received a Bachelor of Science degree in Electrical Engineering from Bradley University and a Master of Business Administration from the University of Minnesota – Carlson School of Business. He has served as the Company's Vice President of Sales and Marketing since January 1995.

Mr. Gonsior joined the Company in February 1982. Mr. Gonsior received a Bachelor of Science degree from Saint Cloud State University. He has served as the Company's Vice President of Operations since January 1996.

Mr. Gruenhagen joined the Company in November 1984. Mr. Gruenhagen received a Bachelor of Science degree from Iowa State University. He has served as the Company's Vice President of Corporate Quality and Regulatory Affairs since December 2007. Prior to that, Mr. Gruenhagen served as Director of Corporate Quality since 2004 and Director of Project Management since 2000.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common shares are listed on the NASDAQ Global Market under the ticker symbol "IIN".

Market and Dividend Information

The high and low sale prices of the Company's common stock during each quarterly period during the past two years were as follows:

	2015 Market Price Range		2014 Market Price Range	
Quarter	High	Low	High	Low
First	$ 8.50	6.54	$ 5.11	3.78
Second	8.16	7.03	8.90	4.42
Third	8.30	5.59	8.88	5.74
Fourth	8.65	6.13	6.95	5.55

The closing sale price of the Company's common stock on February 23, 2016, was $7.23 per share.

At February 23, 2016 the Company had 248 shareholders of record of common stock. Such number does not reflect shareholders who beneficially own common stock in nominee or street name.

The Company currently intends to retain any future earnings to support operations and to finance the growth and development of its business and does not intend to pay cash dividends on its common stock for the foreseeable future. Any payment of future dividends will be at the discretion of the Board of Directors and will depend upon, among other things, the Company's earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions with respect to the payment of dividends, and other factors that the Board of Directors deems relevant. Terms of the Company's banking agreements prohibit the payment of cash dividends without prior bank approval.

See "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters — Equity Compensation Plans" of this Annual Report on Form 10-K for disclosure regarding our equity compensation plans.

In 2015, the Company did not sell any unregistered securities and did not repurchase any of its securities.

ITEM 6. Selected Financial Data

Year Ended December 31	2015	2014	2013	2012	2011
Sales, net	$ 69,739	$ 68,303	$ 52,961	$ 59,955	$ 52,095
Gross profit	19,003	18,484	12,169	15,299	12,650
Operating expenses	16,237	15,076	13,507	13,231	12,709
Interest Expense	(369)	(461)	(600)	(755)	(609)
Gain on sale of investment in partnership	—	—	—	822	—
Other income (expense), net	(261)	(1)	(135)	(212)	226
Income (loss) from continuing operations before income taxes and discontinued operations	2,136	2,946	(2,073)	1,923	(442)
Income tax (expense) benefit	(19)	(428)	(217)	(164)	160
Income (loss) from continuing operations before discontinued operations	2,117	2,518	(2,290)	1,759	(282)
Loss on sale of discontinued operations, net of income taxes	—	(120)	—	—	—
Loss from discontinued operations, net of income taxes	—	(150)	(3,872)	(1,050)	(1,143)
Net income (loss)	2,117	2,248	(6,162)	709	(1,425)
Less: Loss allocated to non-controlling interest	(111)	—	—	—	—
Net income (loss) attributable to IntriCon shareholders	$ 2,228	$ 2,248	$ (6,162)	$ 709	$ (1,425)
Basic income (loss) per share attributable to IntriCon shareholders:					
Continuing operations	$ 0.38	$ 0.43	$ (0.40)	$ 0.31	$ (0.05)
Discontinued operations	—	(0.05)	(0.68)	(0.19)	(0.20)
Net income (loss)	$ 0.38	$ 0.39	$ (1.08)	$ 0.13	$ (0.25)
Diluted income (loss) per share attributable to IntriCon shareholders:					
Continuing operations	$ 0.36	$ 0.42	$ (0.40)	$ 0.30	$ (0.05)
Discontinued operations	—	(0.04)	(0.68)	(0.18)	(0.20)
Net income (loss)	$ 0.36	$ 0.37	$ (1.08)	$ 0.12	$ (0.25)
Weighted average number of shares outstanding during year:					
Basic	5,907	5,791	5,699	5,669	5,599
Diluted	6,241	6,038	5,699	5,888	5,599

Other Financial Highlights

Year Ended December 31	2015	2014	2013 (b)	2012 (b)	2011 (b)
Working capital (a)	11,303	7,804	5,978	8,893	8,207
Total assets	41,886	33,961	32,720	39,132	40,730
Long-term debt	7,929	4,627	6,271	7,222	8,217
Equity	18,897	16,107	13,308	18,722	17,446
Depreciation and amortization	1,755	2,182	2,402	1,983	2,083

(a) Working capital is equal to current assets less current liabilities.

(b) In 2013, the Company classified its security and certain microphone, and receiver operations as discontinued operations. The Company revised its financial statements for 2011 and 2012 to reflect the discontinued operations.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Company Overview

IntriCon Corporation (together with its subsidiaries, the "Company" or "IntriCon", "we", "us" or "our") is an international company engaged in designing, developing, engineering, manufacturing and distributing body-worn devices. The Company serves the body-worn device market by designing, developing, engineering, manufacturing and distributing micro-miniature products, microelectronics, micro-mechanical assemblies and complete assemblies, primarily for bio-telemetry devices, hearing instruments and professional audio communication devices.

As discussed below, the Company has one operating segment - its body-worn device segment. Our expertise in this segment is focused on three main markets: emerging value hearing health, medical bio-telemetry and professional audio communications. Within these chosen markets, we combine ultra-miniature mechanical and electronics capabilities with proprietary technology – including ultra low power (ULP) wireless and digital signal processing (DSP) capabilities – that enhances the performance of body-worn devices.

Business Highlights

The Company reported its strongest financial results in over a decade, surpassing 2014 results, including its strongest revenue, margin and earnings since the rebranding of the Company in 2005.

On November 3, 2015, the Company acquired the assets of PC Werth, a leading supplier of hearing healthcare products and equipment to the United Kingdom's National Health Service (NHS). The NHS is the largest purchaser of hearing aids in the world, supplying an estimated 1.2 million hearing aids annually.

On November 2nd, 2015, the company launched JD Edwards EnterpriseOne platform, a $2,400 investment in an integrated applications suite of comprehensive enterprise resource planning (ERP) software, to further support its global manufacturing and distribution footprint.

On September 14, 2015, the Company and The Academy of Doctors of Audiology (ADA), announced a joint venture to provide hearing instruments and educational resources that offer unprecedented value for audiologists and their patients.

On March 31, 2015, the Company and its domestic subsidiaries entered into a Seventh Amendment to the Loan and Security Agreement and Waiver with The PrivateBank and Trust Company, which among other things extended the maturity date of the term loan and revolving credit facility to February 28, 2019 (See Note 8 to the Company's consolidated financial statements included herein).

Forward–Looking Statements

The following discussion and analysis of our financial condition and results of operations should be read together with our financial statements and the related notes appearing in Item 8 of this report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those under the heading "Risk Factors" in Item 1A of this Annual Report on Form 10-K. See also Item 1. "Business—Forward-Looking Statements" for more information.

Results of Operations: 2015 Compared with 2014

Consolidated Net Sales

Our net sales are comprised of three main markets: medical, hearing health, and professional audio - collectively our body-worn device segment. Below is a recap of our sales by main markets for the years ended December 31, 2015 and 2014:

	2015	2014	Change Dollars	Change Percent
Medical	$ 40,821	$ 35,109	$ 5,712	16.3%
Hearing Health	21,089	22,959	(1,870)	-8.1%
Professional Audio Communications	7,829	10,235	(2,406)	-23.5%
Consolidated Net Sales	$ 69,739	$ 68,303	$ 1,436	2.1%

In 2015, we experienced a 16.3 percent increase in medical sales primarily driven by higher sales to Medtronic and other key medical customers. Management believes that the industry-wide trend to shift the point of care from expensive traditional settings, such as hospitals, to less expensive non-traditional settings like the home, will result in growth of the medical bio-telemetry industry. IntriCon currently serves this market by offering medical manufacturers the capabilities to design, develop, manufacture and distribute medical devices that are easier to use, are more miniature, use less power, and are lighter. IntriCon has a strong presence in both the diabetes market, with its Medtronic partnership, and cardiac diagnostic monitoring bio-telemetry market. The Company believes there are growth opportunities in these markets as well other emerging biotelemetry and home care markets, such as sleep apnea, that could benefit from its capabilities to develop devices that are more technologically advanced, smaller and lightweight.

Net sales in our hearing health business for the year ended December 31, 2015 decreased 8.1 percent over the same period in 2014. The decrease was primarily due to weaker sales to the conventional hearing health channel, partially offset by gain in our emerging value hearing health business. IntriCon believes it is very well positioned to serve value hearing health market channels. The Company will be aggressively pursuing larger customers who can benefit from our value proposition. Over the past several years, the Company has invested heavily in core technologies, product platforms and its global manufacturing capabilities geared to provide high-tech, lower-cost hearing devices. Market dynamics, such as low penetration rates, an aging population, and the need for reduced cost and convenience, have resulted in the emergence of alternative care models, such the insurance channel and PSAP channel.

Net sales to the professional audio device sector decreased 23.5 percent in 2015 compared to the same period in 2014. During 2014, the Company completed a contract with the Singapore government to provide technically advanced headsets worn in military applications, which makes up a large portion of the period over period decrease. IntriCon will continue to leverage its core technology in professional audio to support existing customers, as well as pursue related hearing health and medical product opportunities.

Gross Profit

Gross profit, both in dollars and as a percent of sales, for the years ended December 31, 2015 and 2014, were as follows:

	2015		2014		Change	
	Dollars	Percent of Sales	Dollars	Percent of Sales	Dollars	Percent
Gross Profit	$ 19,003	27.2%	$ 18,484	27.1%	$ 519	2.8%

The 2015 gross profit increase over the comparable prior year period was primarily due to higher overall sales volumes.

Sales and Marketing, General and Administrative and Research and Development Expenses

Sales and marketing, general and administrative and research and development expenses for the years ended December 31, 2015 and 2014 were:

	2015		2014		Change	
	Dollars	Percent of Sales	Dollars	Percent of Sales	Dollars	Percent
Sales and Marketing	$ 3,919	5.6%	$ 3,699	5.4%	$ 220	5.9%
General and Administrative	7,104	10.2%	6,462	9.5%	642	9.9%
Research and Development	5,214	7.5%	4,832	7.1%	382	7.9%

Sales and marketing expenses increased due to the addition of experienced professionals and to support VHH initiatives including the acquisition of PC Werth. General and administrative expenses and research and development are greater than the prior year primarily due to the aforementioned VHH initiatives and support costs related to our ERP system upgrade.

Restructuring charges

On June 13, 2013, the Company announced a global strategic restructuring plan designed to accelerate the Company's future growth by focusing resources on the highest potential growth areas and reduce costs. During 2014, the Company incurred restructuring charges of $83, primarily related to employee termination benefits, from the restructuring of its continuing operations. The Company incurred no restructuring charges in 2015 and in the future, does not expect to incur any additional cash charges related to this restructuring.

Interest Expense

Interest expense for 2015 was $369, a decrease of $92 from $461 in 2014. The decrease in interest expense was primarily due to lower interest rates compared to the prior year.

Other Income (Expense), net

In 2015, other income (expense), net was $(261) compared to $(1) in 2014 primarily due to the costs incurred in the acquisition of the assets of PC Werth in 2015 and a royalty payment that was received in 2014.

***Income Tax* Expense**

Income taxes were as follows:

	2015	2014
Income tax expense	$ 19	$ 428
Percentage of income tax expense of income from continuing operations before income taxes and discontinued operations	0.9%	14.5%

The expense in 2015 and 2014 was primarily due to foreign taxes on German and Indonesia operations partially offset by a Singapore tax benefit. The Company is in a net operating loss position ("NOL") for US federal and state income tax purposes, but our deferred tax asset related to the NOL carry forwards have been largely offset by a full valuation allowance. We incur minimal income tax expense (benefit) from the current period domestic operations. We have approximately $21,784 of NOL carry forwards available to offset future U.S. federal income taxes that begin to expire in 2022.

Loss from Discontinued Operations

Loss from discontinued operations, net of income taxes, of $270 for the year ended December 31, 2014 was due to a discontinued operations loss of $150 and a loss on the sale of discontinued operations of $120 in the first quarter of 2014.

Loss Allocated to Non-Controlling Interest

Loss allocated to non-controlling interest of ($111) for the year ended December 31, 2015 was due to earVenture losses allocated to our joint venture partner.

Results of Operations: 2014 Compared with 2013

Consolidated Net Sales

Below is a recap of our sales by main markets for the years ended December 31, 2014 and 2013:

			Change	
Year Ended December 31	**2014**	**2013**	**Dollars**	**Percent**
Medical	$ 35,109	$ 25,978	$ 9,131	35.1%
Hearing Health	22,959	19,739	3,220	16.3%
Professional Audio Communications	10,235	7,244	2,991	41.3%
Consolidated Net Sales	$ 68,303	$ 52,961	$ 15,342	29.0%

In 2014, we experienced a 35.1 percent increase in medical sales primarily driven by higher sales to Medtronic and other key medical customers. In September 2013, Medtronic received Food and Drug Administration (FDA) approval for their MiniMed 530G insulin pump system. To support their MiniMed 530G system launch, we built and sold significant inventory from the fourth quarter of 2013 through the first half of 2014, which is the primary reason sales increased significantly from the prior period.

Net sales in our hearing health business for the year ended December 31, 2014 increased 16.3 percent over the same period in 2013. The increase was primarily due to strong device sales to hi HealthInnovations and to the conventional hearing health channel

Net sales to the professional audio device sector increased 41.3 percent in 2014 compared to the same period in 2013. During 2014, the Company delivered on a contract with the Singapore government to provide technically advanced headsets worn in military applications, which makes up a large portion of the period over period increase.

Gross Profit

Gross profit, both in dollars and as a percent of sales, for 2014 and 2013, were as follows:

	2014		2013		Change	
Year Ended December 31	**Dollars**	**Percent of Sales**	**Dollars**	**Percent of Sales**	**Dollars**	**Percent**
Gross Profit	$ 18,484	27.1%	$ 12,169	23.0%	$ 6,315	51.9%

The 2014 gross profit increase over the comparable prior year period was primarily due to higher overall sales volumes and cost reductions from global restructuring initiatives, partially offset by a less favorable sales mix.

Sales and Marketing, General and Administrative and Research and Development Expenses

Sales and marketing, general and administrative and research and development expenses for the years ended December 31, 2014 and 2013 were:

	2014		2013		Change	
Year Ended December 31	**Dollars**	**Percent of Sales**	**Dollars**	**Percent of Sales**	**Dollars**	**Percent**
Sales and Marketing	$ 3,699	5.4%	$ 3,308	6.2%	$ 391	11.8%
General and Administrative	6,462	9.5%	5,789	10.9%	673	11.6%
Research and Development	4,832	7.1%	4,181	7.9%	651	15.6%

Sales and marketing expenses increased due to the addition of experienced professionals and greater commission expenses based on the revenue growth. General and administrative expenses are greater than the prior year period primarily due to increased support costs. Also, sales and marketing and general and administrative expenses increased due to support for VHH opportunities. Research and development increased over the prior year periods primarily due to a research and development tax credit accrued in the third quarter of 2013 of $567 and increased expenses in 2014 to support the Company's VHH initiative.

Restructuring charges

In connection with the global strategic restructuring plan described above, the Company incurred restructuring charges of $83 and $229 during 2014 and 2013, respectively.

Interest Expense

Interest expense for 2014 was $461, a decrease of $139 from $600 in 2013. The decrease in interest expense was primarily due to lower average debt balances compared to the prior year.

Other Income (Expense), net

In 2014, other income (expense), net was $(1) compared to $127 in 2013 primarily due to a royalty payment received in 2014.

Income Tax (Expense) Benefit

Income taxes were as follows:

	2014	2013
Income tax (expense) benefit	$ (428)	$ (217)
Percentage of income tax (expense) benefit of income from continuing operations before income taxes and discontinued operations	14.5%	10.5%

The expense in 2014 and 2013 was primarily due to foreign taxes on German and Singapore operations. The Company is in a net operating loss position ("NOL") for US federal and state income tax purposes and, consequently, incurs minimal income tax expense from the current period domestic operations. Our deferred tax asset related to the NOL carry forwards has been offset by a full valuation allowance.

Loss from Discontinued Operations

Loss from discontinued operations, net of income taxes, for the year ended December 31, 2014 was $270 compared to a loss of $3,872 for the year ended December 31, 2013. Included in the net loss for the year ended December 31, 2013 was $1,700 in impairment charges.

Liquidity and Capital Resources

Our primary sources of cash have been cash flows from operations, bank borrowings, and other financing transactions. For the last three years, cash has been used for repayments of bank borrowings, purchases of equipment, establishment of an additional Asian manufacturing facility and working capital to support research and development.

As of December 31, 2015, we had approximately $369 of cash on hand. Sources and uses of our cash for the year ended December 31, 2015 have been from our operations, as described below.

Consolidated net working capital increased to $11,303 at December 31, 2015 from $7,804 at December 31, 2014. Our cash flows from operating, investing and financing activities, as reflected in the statement of cash flows for the years ended December 31, are summarized as follows:

	December 31, 2015	December 31, 2014	December 31, 2013
Cash provided by (used in):			
Operating activities	$ 711	$ 3,158	$ 2,315
Investing activities	(4,224)	(958)	(930)
Financing activities	3,731	(1,935)	(1,404)
Effect of exchange rate changes on cash	(177)	(154)	11
Increase (decrease) in cash	$ 41	$ 111	$ (8)

Operating Activities. The most significant items that contributed to the $711 of cash provided from operating activities was net income of $2,117, add backs for non-cash depreciation and stock compensation and increases in accounts payable, partially offset by increases in inventory and accounts receivable. Days sales in inventory increased from 75 at December 31, 2014 to 98 at December 31, 2015. Days payables outstanding increased from 50 days at December 31, 2014 to 62 days at December 31, 2015. Day sales outstanding remained steady at 41 days for both December 31, 2014 and December 31, 2015.

Investing Activities. Net cash used in investing activities of $4,224 consisted of $3,982 of purchases of property, plant and equipment including $2,400 related to our global ERP system upgrade.

Financing Activities. Net cash provided by financing activities of $3,731 was comprised of proceeds of new borrowings, partially offset by repayments of borrowings under our credit facilities.

Cash generated from operations may be affected by a number of factors. See "Forward Looking Statements" and "Item 1A Risk Factors" contained in this Form 10-K for a discussion of some of the factors that can negatively impact the amount of cash we generate from our operations.

We had the following bank arrangements at December 31:

	December 31, 2015	December 31, 2014
Total borrowing capacity under existing facilities	$ 13,980	$ 10,925
Facility Borrowings:		
Domestic revolving credit facility	4,674	3,843
Domestic term loan	4,250	1,750
Foreign overdraft and letter of credit facility	913	920
Total borrowings and commitments	9,837	6,513
Remaining availability under existing facilities	$ 4,143	$ 4,412

Domestic Credit Facilities

The Company and its domestic subsidiaries are parties to a credit facility with The PrivateBank and Trust Company. The credit facility, as amended, provides for:

- an $8,000 revolving credit facility, with a $200 sub facility for letters of credit. Under the revolving credit facility, the availability of funds depends on a borrowing base composed of stated percentages of the Company's eligible trade receivables and eligible inventory, and eligible equipment less a reserve; and
- a term loan in the original amount of $5,000.

In March 2015, the Company and its domestic subsidiaries entered into a Seventh Amendment to the Loan and Security Agreement with The PrivateBank and Trust Company. The amendment, among other things:

- increased the Company's term loan to $5,000 from its then current balance of $1,750, as a result of which the Company borrowed an additional $3,250 under the term loan facility;
- extended the term loan and revolving loan maturity date to February 28, 2019, keeping the existing term loan amortization schedule in place;
- increased the annual capital expenditure limit to $4,500;
- implemented investment provisions that allow for up to $4,000 in investment spending prior to requiring bank approval; and
- lowered interest rates on the term loan and revolving loan

All of the borrowings under this agreement have been characterized as either a current or long-term liability on our balance sheet in accordance with the repayment terms described more fully below.

Loans under the credit facility are secured by a security interest in substantially all of the assets of the Company and its domestic subsidiaries including a pledge of the stock of its domestic subsidiaries. Loans under the credit facility bear interest at varying rates based on the Company's leverage ratio of funded debt / EBITDA, at the option of the Company, at:

- the London InterBank Offered Rate ("LIBOR") plus 2.50% - 4.00%, or

- the base rate, which is the higher of (a) the rate publicly announced from time to time by the lender as its "prime rate" and (b) the Federal Funds Rate plus 0.5%, plus 0.00% - 1.25% ; in each case, depending on the Company's leverage ratio.

Interest is payable monthly in arrears, except that interest on LIBOR based loans is payable at the end of the one, two or three month interest periods applicable to LIBOR based loans. IntriCon is also required to pay a non-use fee equal to 0.25% per year of the unused portion of the revolving line of credit facility, payable quarterly in arrears.

Weighted average interest on our domestic credit facilities was 3.68%, 4.51%, and 4.30% for 2015, 2014, and 2013, respectively.

The outstanding balance of the revolving credit facility was $4,674 and $3,843 at December 31, 2015 and 2014, respectively. The total remaining availability on the revolving credit facility was approximately $3,326 and $3,456 at December 31, 2015 and 2014, respectively.

The outstanding principal balance of the term loan, as amended, is payable in quarterly installments of $250. Any remaining principal and accrued interest is payable on February 28, 2019. IntriCon is also required to use 100% of the net cash proceeds of certain asset sales (excluding inventory and certain other dispositions), sale of capital securities or issuance of debt to pay down the term loan.

The borrowers are subject to various covenants under the credit facility, including a maximum funded debt to EBITDA, a minimum fixed charge coverage ratio and maximum capital expenditure financial covenants. Under the credit facility, except as otherwise permitted, the borrowers may not, among other things: incur or permit to exist any indebtedness; grant or permit to exist any liens or security interests on their assets or pledge the stock of any subsidiary; make investments; be a party to any merger or consolidation, or purchase of all or substantially all of the assets or equity of any other entity; sell, transfer, convey or lease all or any substantial part of its assets or capital securities; sell or assign, with or without recourse, any receivables; issue any capital securities; make any distribution or dividend (other than stock dividends), whether in cash or otherwise, to any of its equity holders; purchase or redeem any of its equity interests or any warrants, options or other rights to equity; enter into any transaction with any of its affiliates or with any director, officer or employee of any borrower; be a party to any unconditional purchase obligations; cancel any claim or debt owing to it; make payment on or changes to any subordinated debt; enter into any agreement inconsistent with the provisions of the credit facility or other agreements and documents entered into in connection with the credit facility; engage in any line of business other than the businesses engaged in on the date of the credit facility and businesses reasonably related thereto; or permit its charter, bylaws or other organizational documents to be amended or modified in any way which could reasonably be expected to materially adversely affect the interests of the lender. The Company was in compliance with the financial covenants under the facility as of December 31, 2015.

Upon the occurrence and during the continuance of an event of default (as defined in the credit facility), the lender may, among other things: terminate its commitments to the borrowers (including terminating or suspending its obligation to make loans and advances); declare all outstanding loans, interest and fees to be immediately due and payable; take possession of and sell any pledged assets and other collateral; and exercise any and all rights and remedies available to it under the Uniform Commercial Code or other applicable law. In the event of the insolvency or bankruptcy of any borrower, all commitments of the lender will automatically terminate and all outstanding loans, interest and fees will be immediately due and payable. Events of default include, among other things, failure to pay any amounts when due; material misrepresentation; default in the performance of any covenant, condition or agreement to be performed that is not cured within 20 days after notice from the lender; default in the performance of obligations under certain subordinated debt, default in the payment of other indebtedness or other obligation with an outstanding principal balance of more than $50, or of any other term, condition or covenant contained in the agreement under which such obligation is created, the effect of which is to allow the other party to accelerate such payment or to terminate the agreements; a breach by a borrower under certain material agreements, the result of which breach is the suspension of the counterparty's performance thereunder, delivery of a notice of acceleration or termination of such agreement; the insolvency or bankruptcy of any borrower; the entrance of any judgment against any borrower in excess of $50, which is not fully covered by insurance; any divestiture of assets or stock of a subsidiary constituting a substantial portion of borrowers' assets; the occurrence of a change in control (as defined in the credit facility); certain collateral impairments; a contribution failure with respect to any employee benefit plan that gives rise to a lien under ERISA; and the occurrence of any event which lender determines could be reasonably expected to have a material adverse effect (as defined in the credit facility).

During 2014, the Company entered into interest rate swaps with The PrivateBank which are accounted for as effective cash flow hedges. The interest rate swaps had a combined initial notional amount of $3,750, with a portion of the swap amortizing on a basis consistent with the $250 quarterly installments required under the term loan. The interest rate swaps fix the Company's one month LIBOR interest rate on the notional amounts at rates ranging from 0.80% - 1.45%. We hold a right to cancel the interest rate swaps starting August 31, 2016. Interest rate swaps, which are considered derivative instruments, of $41 and $19 are reported in the consolidated balance sheets at fair value in other current liabilities at December 31, 2015 and 2014.

Foreign Credit Facility

In addition to its domestic credit facilities, the Company's wholly-owned subsidiary, IntriCon, PTE LTD., entered into an international senior secured credit agreement with Oversea-Chinese Banking Corporation Ltd. that provides for an asset based line of credit. Borrowings bear interest at a rate of .75% to 2.5% over the lender's prevailing prime lending rate. Weighted average interest on the international credit facilities was 3.37% and 4.50% for the years ended December 31, 2015 and 2014. The outstanding balance was $913 and $920 at December 31, 2015 and 2014, respectively. The loans are collateralized by IntriCon, PTE's restricted cash and receivables. The total remaining availability on the international senior secured credit agreement was approximately $817 and $956 at December 31, 2015 and 2014, respectively.

We believe that funds expected to be generated from operations and the available borrowing capacity through our revolving credit loan facilities will be sufficient to meet our anticipated cash requirements for operating needs for at least the next 12 months. We may also seek to raise capital from the opportunistic sale of equity from time to time, the proceeds of which may be used to reduce indebtedness under our credit facility. If, however, we do not generate sufficient cash from operations, or if we incur additional unanticipated liabilities, we may be required to seek additional financing or sell equity or debt on terms which may not be as favorable as we could have otherwise obtained. No assurance can be given that any refinancing, additional borrowing or sale of equity or debt will be possible when needed or that we will be able to negotiate acceptable terms. In addition, our access to capital is affected by prevailing conditions in the financial and equity capital markets, as well as our own financial condition. While management believes that we will be able to meet our liquidity needs for at least the next 12 months, no assurance can be given that we will be able to do so.

Contractual Obligations

The following table represents our contractual obligations and commercial commitments, excluding interest expense, as of December 31, 2015.

Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Domestic credit facility	$ 4,674	$ —	$ —	$ 4,674	$ —
Domestic term loan	4,250	1,000	2,000	1,250	—
Foreign overdraft and letter of credit facility	913	908	5	—	—
Pension and other postretirement benefit obligations	1,426	208	370	316	532
Operating leases	2,858	1,132	924	802	—
Total contractual obligations	$ 14,121	$ 3,248	$ 3,299	$ 7,042	$ 532

There are certain provisions in the underlying contracts that could accelerate our contractual obligations as noted above.

Foreign Currency Fluctuation

Generally, the effect of changes in foreign currencies on our results of operations is partially or wholly offset by our ability to make corresponding price changes in the local currency. From time to time, the impact of fluctuations in foreign currencies may have a material effect on the financial results of the Company. Foreign currency transaction amounts included in the statements of operation include losses of $40, $51 and $42 in 2015, 2014 and 2013, respectively. See Note 11 to the Company's consolidated financial statements included herein.

Off-Balance Sheet Obligations

We had no material off-balance sheet obligations as of December 31, 2015 other than the operating leases disclosed above.

Related Party Transactions

For a discussion of related party transactions, see Note 16 to the Company's consolidated financial statements included herein.

Litigation

For a discussion of litigation, see "Item 3. Legal Proceedings" and Note 15 to the Company's consolidated financial statements included herein.

New Accounting Pronouncements

See "New Accounting Pronouncements" set forth in Note 1 of the Notes to the Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K, for information pertaining to recently adopted accounting standards or accounting standards to be adopted in the future.

Critical Accounting Policies and Estimates

The significant accounting policies of the Company are described in Note 1 to the consolidated financial statements and have been reviewed with the audit committee of our Board of Directors. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period.

Certain accounting estimates and assumptions are particularly sensitive because of their importance to the consolidated financial statements and possibility that future events affecting them may differ markedly. The accounting policies of the Company with significant estimates and assumptions are described below.

Revenue Recognition

The Company recognizes revenue when the customer takes ownership, primarily upon product shipment, and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

Customers have 30 days to notify the Company if the product is damaged or defective. Beyond that, there are no significant obligations that remain after shipment other than warranty obligations. Contracts with customers do not include product return rights, however, the Company may elect in certain circumstances to accept returns of products. The Company records revenue for product sales net of returns. Sales and use tax are reported on a net basis. The Company defers recognition of revenue on discounts to customers if discounts are considered significant.

In general, the Company warrants its products to be free from defects in material and workmanship and will fully conform to and perform to specifications for a period of one year. The Company develops a warranty reserve based on historical experience. While the Company's warranty costs have historically been within its expectations, the Company cannot guarantee that it will continue to experience the same warranty return rates or repair costs that it has experienced in the past.

Accounts Receivable Reserves

This reserve is an estimate of the amount of accounts receivable that are uncollectible. The reserve is based on a combination of specific customer knowledge, general economic conditions and historical trends. Management believes the results could be materially different if economic conditions change for our customers.

Inventory Valuation

Inventory is recorded at the lower of our cost or market value. Market value is an estimate of the future net realizable value of our inventory. It is based on historical trends, product life cycles, forecasts of future inventory needs and on-hand inventory levels. Management believes reserve levels could be materially affected by changes in technology, our customer base, customer needs, general economic conditions and the success of certain Company sales programs.

Goodwill and Intangible Assets

Goodwill is reviewed for impairment annually on November 30th of each year or more frequently if changes in circumstances or the occurrence of events suggest impairment exists. Consistent with prior years, in 2015 the Company utilized the two-step impairment analysis and elected not to use the qualitative assessment or "step zero" approach. In the two-step impairment analysis, in step one, the fair value of each reporting unit is compared to its carrying value, including goodwill. If the fair value exceeds the carrying value, no further analysis is required and no impairment loss is recognized. If the carrying value exceeds the fair value, the goodwill of the reporting unit is potentially impaired and the Company would then complete step two in order to measure the impairment loss. In step two, the Company would calculate the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets (including unrecognized intangible assets) of the reporting unit from the fair value of the reporting unit. If the implied fair value of goodwill is less than the carrying value of goodwill, the Company would recognize an impairment loss, in the period identified, equal to the difference. The Company concluded that no impairment of goodwill or intangible assets existed as of November 30, 2015.

Long-lived Assets

The carrying value of long-lived assets is periodically assessed to insure their carrying value does not exceed the undiscounted cash flows expected to be generated from their expected use and eventual disposition. This assessment includes certain assumptions related to future needs for the asset to help generate future cash flow. Changes in those assessments, future economic conditions or technological changes could have a material adverse impact on the carrying value of these assets.

Deferred Taxes

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Actual future operating results, as well as changes in our future performance, could have a material impact on the valuation allowance.

Employee Benefit Obligations

We provide retirement and health care insurance for certain domestic and retirees and former Selas employees. We measure the costs of our obligation based on our best estimate. The net periodic costs are recognized as employees render the services necessary to earn the post-retirement benefit. Several assumptions and statistical variables are used in the models to calculate the expense and liability related to the plans. We determine assumptions about the discount rate, the expected rate of return on plan assets and the future rate of compensation increases. The actuarial models also use assumptions on demographic factors such as retirement, mortality and turnover. Changes in actuarial assumptions could vary materially from actual results due to economic events and different rates of retirement, mortality and withdrawal.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

ITEM 8. Financial Statements and Supplementary Data

Management's Report on Internal Control over Financial Reporting

Management of IntriCon Corporation and its subsidiaries ("the Company") is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) of the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015, using criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on this assessment, the Company's management believes that, as of December 31, 2015, the Company's internal control over financial reporting was effective based on those criteria.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to a provision of the Dodd Frank Act, which eliminated such requirement for "smaller reporting companies," as defined in SEC regulations, such as IntriCon.

There were no changes in our internal control over financial reporting during the most recent fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, Audit Committee and Board of Directors
IntriCon Corporation and Subsidiaries
Arden Hills, Minnesota

We have audited the accompanying consolidated balance sheets of IntriCon Corporation and Subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), equity and cash flows for the years ended December 31, 2015, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of its internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of IntriCon Corporation and Subsidiaries as of December 31, 2015 and 2014 and the results of their operations and cash flows for the years ended December 31, 2015, 2014 and 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
March 11, 2016

INTRICON CORPORATION
Consolidated Statements of Operations
(In Thousands, Except Per Share Amounts)

Year Ended December 31	2015	2014	2013
Sales, net	$ 69,739	$ 68,303	$ 52,961
Cost of sales	50,736	49,819	40,792
Gross profit	19,003	18,484	12,169
Operating expenses:			
Sales and marketing	3,919	3,699	3,308
General and administrative	7,104	6,462	5,789
Research and development	5,214	4,832	4,181
Restructuring charges (Note 3)	—	83	229
Total operating expenses	16,237	15,076	13,507
Operating income (loss)	2,766	3,408	(1,338)
Interest expense	(369)	(461)	(600)
Other income (expense), net	(261)	(1)	(135)
Income (loss) from continuing operations before income taxes and discontinued operations	2,136	2,946	(2,073)
Income tax expense	19	428	217
Income (loss) before discontinued operations	2,117	2,518	(2,290)
Loss on sale of discontinued operations (Note 2)	—	(120)	—
Loss from discontinued operations, net of income taxes (Note 2)	—	(150)	(3,872)
Net income (loss)	2,117	2,248	(6,162)
Less: Loss allocated to non-controlling interest	(111)	—	—
Net income (loss) attributable to IntriCon shareholders	$ 2,228	$ 2,248	$ (6,162)
Basic income (loss) per share attributable to IntriCon shareholders:			
Continuing operations	$ 0.38	$ 0.43	$ (0.40)
Discontinued operations	—	(0.05)	(0.68)
Net income (loss) per share:	$ 0.38	$ 0.39	$ (1.08)
Diluted income (loss) per share attributable to IntriCon shareholders:			
Continuing operations	$ 0.36	$ 0.42	$ (0.40)
Discontinued operations	—	(0.04)	(0.68)
Net income (loss) per share:	$ 0.36	$ 0.37	$ (1.08)
Average shares outstanding:			
Basic	5,907	5,791	5,699
Diluted	6,241	6,038	5,699

(See accompanying notes to the consolidated financial statements)

INTRICON CORPORATION
Consolidated Statements of Comprehensive Income (Loss)
(In Thousands)

	Year Ended December 31		
	2015	2014	2013
Net income (loss)	$ 2,117	$ 2,248	$ (6,162)
Interest rate swap, net of taxes of $0	(20)	3	69
Pension and postretirement obligations, net of taxes of $0	(195)	—	—
Foreign currency translation adjustment, net of taxes of $0	(104)	(74)	2
Comprehensive income (loss)	$ 1,798	$ 2,177	$ (6,091)

(See accompanying notes to the consolidated financial statements)

INTRICON CORPORATION
Consolidated Balance Sheets
(In Thousands, Except Per Share Amounts)

	December 31, 2015	December 31, 2014
At December 31,		
Current assets:		
Cash	$ 369	$ 328
Restricted cash	610	640
Accounts receivable, less allowance for doubtful accounts of $135 at December 31, 2015 and $120 at December 31, 2014	8,578	7,673
Inventories	14,472	9,983
Other current assets	860	1,013
Total current assets	24,889	19,637
Property, plant, and equipment	38,653	35,104
Less: Accumulated depreciation	31,911	30,859
Net machinery and equipment	6,742	4,245
Goodwill	9,551	9,194
Investment in partnerships	224	387
Other assets, net	480	498
Total assets	$ 41,886	$ 33,961
Current liabilities:		
Current maturities of long-term debt	$ 1,908	$ 1,886
Accounts payable	7,785	5,954
Accrued salaries, wages and commissions	2,559	2,519
Deferred gain	55	110
Other accrued liabilities	1,279	1,364
Total current liabilities	13,586	11,833
Long-term debt, less current maturities	7,929	4,627
Other postretirement benefit obligations	542	485
Accrued pension liabilities	812	741
Deferred gain	—	55
Other long-term liabilities	120	113
Total liabilities	22,989	17,854
Commitments and contingencies (Note 15)		
Equity:		
Common stock, $1.00 par value per share; 20,000 shares authorized; 5,981 and 5,844 shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively	5,981	5,844
Additional paid-in capital	17,721	16,939
Accumulated deficit	(4,046)	(6,274)
Accumulated other comprehensive loss	(721)	(402)
Total shareholders' equity	18,935	16,107
Non-controlling interest	(38)	—
Total equity	18,897	16,107
Total liabilities and equity	$ 41,886	$ 33,961

(See accompanying notes to the consolidated financial statements)

INTRICON CORPORATION
Consolidated Statements of Cash Flows
(In Thousands)

	2015	2014	2013
Cash flows from operating activities:			
Net income (loss)	$ 2,117	$ 2,248	$ (6,162)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,755	2,182	2,450
Stock-based compensation	579	457	532
Loss on impairment of long-lived assets and goodwill of discontinued operations	—	—	1,700
Loss on disposition of property	—	—	4
Change in deferred gain	(110)	(110)	(110)
Change in allowance for doubtful accounts	15	(4)	(30)
Equity in loss of partnerships	208	228	262
Loss on sale of discontinued operations	—	120	—
Changes in operating assets and liabilities:			
Accounts receivable	(842)	(2,183)	1,327
Inventories	(4,329)	(677)	1,221
Other assets	(13)	301	500
Accounts payable	1,588	626	707
Accrued expenses	(118)	(347)	(26)
Other liabilities	(139)	317	(60)
Net cash provided by operating activities	711	3,158	2,315
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	—	66	39
Proceeds of sale of discontinued operations	—	500	—
Purchase of PC Werth (Note 4)	(197)	—	—
Purchases of property, plant and equipment	(3,982)	(1,524)	(969)
Other	(45)	—	—
Net cash used in investing activities	(4,224)	(958)	(930)
Cash flows from financing activities:			
Proceeds from long-term borrowings	19,615	13,153	15,332
Repayments of long-term borrowings	(16,284)	(15,221)	(16,863)
Proceeds from employee stock purchases and exercise of stock options	340	165	145
Change in restricted cash	60	(32)	(18)
Net cash provided by (used in) financing activities	3,731	(1,935)	(1,404)
Effect of exchange rate changes on cash	(177)	(154)	11
Net (decrease) increase in cash	41	111	(8)
Cash, beginning of period	328	217	225
Cash, end of period	$ 369	$ 328	$ 217

(See accompanying notes to the consolidated financial statements)

INTRICON CORPORATION
Consolidated Statements of Equity
(In Thousands)

	Shareholders' Equity						
	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Shareholders' Equity
Balance December 31, 2012	5,687	$ 5,687	$ 15,797	$ (2,360)	$ (402)	$ —	$ 18,722
Exercise of stock options	14	14	28				42
Shares issued under the ESPP	26	26	77				103
Stock option expense			532				532
Net loss				(6,162)			(6,162)
Comprehensive income					71		71
Balance December 31, 2013	5,727	$ 5,727	$ 16,434	$ (8,522)	$ (331)	$ —	$ 13,308
Exercise of stock options	100	100	(43)				57
Shares issued under the ESPP	16	16	84				100
Shares issued in lieu of cash for services	1	1	7				8
Stock option expense			457				457
Net Income				2,248			2,248
Comprehensive loss					(71)		(71)
Balance December 31, 2014	5,844	$ 5,844	$ 16,939	$ (6,274)	$ (402)	$ —	$ 16,107
Exercise of stock options	123	123	112				235
Shares issued under the ESPP	14	14	91				105
Stock option expense			579				579
Net income (loss)				2,228		(111)	2,117
Investment by non-controlling interest						73	73
Comprehensive loss					(319)		(319)
Balance December 31, 2015	5,981	$ 5,981	$ 17,721	$ (4,046)	$ (721)	$ (38)	$ 18,897

(See accompanying notes to the consolidated financial statements)

IntriCon Corporation

Notes to Consolidated Financial Statements (In Thousands, Except Per Share Data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Headquartered in Arden Hills, Minnesota, IntriCon Corporation (formerly Selas Corporation of America) (together with its subsidiaries, referred to as the Company, we, us or our) is an international company engaged in designing, developing, engineering, manufacturing and distributing body-worn devices. The Company designs, develops, engineers, manufactures and distributes micro-miniature products, microelectronics, micro-mechanical assemblies, complete assemblies and software solutions, primarily for the emerging value hearing health market, the medical bio-telemetry market and the professional audio communication market. In addition to its operations in the state of Minnesota, the Company has facilities in the state of California, Singapore, Indonesia, the United Kingdom and Germany.

Basis of Presentation – On June 13, 2013, the Company announced a global restructuring plan to accelerate future growth and reduce costs. As part of the restructuring, the Company disposed of the assets relating to its security and certain microphone and receiver operations. For all periods presented, the Company classified these businesses as discontinued operations, and, accordingly, has reclassified historical financial data presented herein. See further information in Notes 2 and 3.

Consolidation – The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

Principles of Consolidation – The Company evaluates its voting and variable interests in entities on a qualitative and quantitative basis. The Company consolidates entities in which it concludes it has the power to direct the activities that most significantly impact an entity's economic success and has the obligation to absorb losses or the right to receive benefits that could be significant to the entity.

Non-Controlling Interests – The Company owns 50% of the earVenture joint venture. The remaining ownership is accounted for as a non-controlling interest and reported as part of equity in the consolidated financial statements. The Company allocates gains and losses to the non-controlling interest even when such allocation might result in a deficit balance, reducing the losses attributed to the controlling interest. Changes in ownership interests are treated as equity transactions if the Company maintains control.

Segment Disclosures – A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. The Company's segments have similar economic characteristics and are similar in the nature of the products sold, type of customers, methods used to distribute the Company's products and regulatory environment. Management believes that the Company meets the criteria for aggregating the components of its only operating segment of continuing operations into a single reporting segment.

Use of Estimates – The Company makes estimates and assumptions relating to the reporting of assets and liabilities, the recording of reported amounts of revenues and expenses and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements. Actual results could differ from those estimates. Considerable management judgment is necessary in estimating future cash flows and other factors affecting the valuation of goodwill, intangible assets, and employee benefit obligations including the operating and macroeconomic factors that may affect them. The Company uses historical financial information, internal plans and projections and industry information in making such estimates.

Revenue Recognition – The Company recognizes revenue when the customer takes ownership, primarily upon product shipment, and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

Customers have 30 days to notify the Company if the product is damaged or defective. Beyond that, there are no significant obligations that remain after shipment other than warranty obligations. Contracts with customers do not include product return rights, however, the Company may elect in certain circumstances to accept returns of products. The Company records revenue for product sales net of returns. Sales and use tax are reported on a net basis. The Company defers recognition of revenue on discounts to customers if discounts are considered significant.

In general, the Company warrants its products to be free from defects in material and workmanship and will fully conform to and perform to specifications for a period of one year. The Company develops a warranty reserve based on historical experience.

Shipping and Handling Costs –The Company includes shipping and handling revenues in sales and shipping and handling costs in cost of sales.

Fair Value of Financial Instruments – The carrying value of cash, accounts receivable, notes payable, and trade accounts payables, approximate fair value because of the short maturity of those instruments. The fair values of the Company's long-term debt obligations, pension and post-retirement obligations approximate their carrying values based upon current market rates of interest.

Concentration of Cash – The Company deposits its cash in what management believes are high credit quality financial institutions. The balance, at times, may exceed federally insured limits.

Restricted Cash – Restricted cash consists of deposits required to secure a credit facility at our Singapore location and deposits required to fund retirement related benefits for certain employees.

Accounts Receivable – The Company reviews customers' credit history before extending unsecured credit and establishes an allowance for uncollectible accounts based upon factors surrounding the credit risk of specific customers and other information. Invoices are generally due 30 days after presentation. Accounts receivable over 30 days are considered past due. The Company does not accrue interest on past due accounts receivables. Receivables are written off once all collection attempts have failed and are based on individual credit evaluation and specific circumstances of the customer. The allowance for doubtful accounts balance was $135 and $120 as of December 31, 2015 and 2014, respectively.

Inventories – Inventories are stated at the lower of cost or market. The cost of the inventories was determined by the first-in, first-out method.

Property, Plant and Equipment – Property, plant and equipment are carried at cost. Depreciation is computed on a straight-line basis using estimated useful lives of 5 to 40 years for buildings and improvements and 3 to 12 years for machinery and equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset. Improvements are capitalized and expenditures for maintenance, repairs and minor renewals are charged to expense when incurred. At the time assets are retired or sold, the costs and accumulated depreciation are eliminated and the resulting gain or loss, if any, is reflected in the consolidated statement of operations. Depreciation expense was $1,524, $1,955, and $2,214 for the years ended December 31, 2015, 2014, and 2013, respectively.

Impairment of Long-lived Assets and Long-lived Assets to be Disposed of – The Company reviews its long-lived assets, certain identifiable intangibles, and goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to future net undiscounted cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. As of December 31, 2015, the Company has determined that no impairment of long-lived assets from continuing operations exists.

Goodwill is reviewed for impairment annually or more frequently if changes in circumstances or the occurrence of events suggest impairment exists. The Company utilizes the two-step impairment analysis and elected not to use the qualitative assessment or "step zero" approach. In the two-step impairment analysis, in step one, the fair value of each reporting unit is compared to its carrying value, including goodwill. If the fair value exceeds the carrying value, no impairment loss is recognized. If the carrying value exceeds the fair value, the goodwill of the reporting unit is potentially impaired and the Company completes step two in order to measure the impairment loss. In step two, the Company calculates the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets (including unrecognized intangible assets) of the reporting unit from the fair value of the reporting unit. If the implied fair value of goodwill is less than the carrying value of goodwill, the Company recognizes an impairment loss, in the period identified, equal to the difference. The Company has concluded that no impairment of goodwill or intangible assets occurred during the year ended December 31, 2015. Refer to Note 2 for loss on impairment of long lived assets during 2013.

Other assets, net – The principal amounts included in other assets, net are technology fees and debt issuance costs. The debt issuance costs are being amortized over the related term utilizing the effective interest method and are included in interest expense, and the other assets are being amortized over their estimated useful life on a straight-line basis. Debt issuance cost included in interest expense was $72, $56 and $35 for the years ended December 31, 2015, 2014, and 2013, respectively. Amortization expense was $231, $227 and $204 for the years ended December 31, 2015, 2014, and 2013, respectively.

Investments in Partnerships – Certain of the Company's investments in equity securities are long-term, strategic investments in companies. The Company accounts for these investments under the equity method of accounting. Under the equity method the Company records the investment at the amount the Company paid and adjusts for the Company's share of the investee's income or loss and dividends paid. The investments are reviewed quarterly for changes in circumstances or the occurrence of events that suggest the Company's investment may not be recoverable. To date there have been no impairment losses recognized.

Income Taxes – Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, operating losses and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established to the extent the future benefit from the deferred tax assets realization is more likely than not unable to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The deferred tax asset valuation allowance was $9,810 and $10,105 as of December 31, 2015 and 2014, respectively. The Company recognizes accrued interest and penalties related to uncertain tax positions in income tax expense. At December 31, 2015, the Company had no accrual for the payment of tax related interest and there was no tax interest or penalties recognized in the consolidated statements of operations. The Company's federal and state tax returns are potentially open to examinations for fiscal years 2003-2005 and 2009-2015.

Employee Benefit Obligations – The Company provides pension and health care insurance for certain domestic retirees and employees of its operations discontinued in 2005. These obligations have been included in continuing operations as the Company retained these obligations. The Company also provides retirement related benefits for certain foreign employees. The Company measures the costs of its obligation based on actuarial determinations. The net periodic costs are recognized as employees render the services necessary to earn the post-retirement benefit and the obligation is recorded on the consolidated balance sheet as accrued pension liabilities.

Assumptions about the discount rate, the expected rate of return on plan assets and the future rate of compensation increases are determined by the Company. The Company believes the assumptions are within accepted guidelines and ranges. However, these actuarial assumptions could vary materially from actual results due to economic events and different rates of retirement, mortality and withdrawal.

Stock Option and Equity Plans – Under the various Company stock-based compensation plans, executives, employees and outside directors receive awards of options to purchase common stock. Under all awards, the terms are fixed at the grant date. Generally, the exercise price equals the market price of the Company's stock on the date of the grant. Options under the plans generally vest over three years, and have a maximum term of 10 years. One of the plans also permits the granting of stock awards, stock appreciation rights, restricted stock units and other equity based awards. The Company expenses grant-date fair values of stock options and awards ratably over the vesting period of the related share-based award. See Note 13 for additional information.

Product Warranty – The Company offers a warranty on various products and services. The Company estimates the costs that may be incurred under its warranties and records a liability in the amount of such costs at the time the product is sold. Factors that affect the Company's warranty liability include the number of units sold, historical and anticipated rates of warranty claims and cost per claim. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. The amount of the reserve recorded is equal to the costs to repair or otherwise satisfy the claim.

Patent Costs – Costs associated with the submission of a patent application are expensed as incurred given the uncertainty of the patents providing future economic benefit to the Company.

Advertising Costs – Advertising costs are charged to expense as incurred.

Research and Development Costs – Research and development costs, net of customer funding, amounted to $5,214, $4,832, and $4,181 in 2015, 2014 and 2013, respectively, and are charged to expense when incurred, net of customer funding. The Company accrues proceeds received under governmental grants when earned and estimable as a reduction to research and development expense. During the year ended December 31, 2013, the Company accrued $567 in research and development tax credit refunds received with the state of Minnesota as a reduction to research and development expense.

Customer Funded Tooling Costs – The Company designs and develops molds and tools for reimbursement on behalf of several customers. Costs associated with the design and development of the molds and tools are charged to expense, net of the customer reimbursement amount. Net customer funded tooling resulted in income of $121, $140 and $352 for the years ended December 31, 2015, 2014 and 2013, respectively, and is included in cost of goods sold in the consolidated statements of operations.

Income (loss) Per Share – Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the year. Diluted income (loss) per common share reflects the potential dilution of securities that could share in the earnings. The Company uses the treasury stock method for calculating the dilutive effect of stock options.

Comprehensive Income (Loss) – Comprehensive income (loss) consists of net income (loss), change in fair value of derivative instruments, pension and post-retirement obligations and foreign currency translation adjustments and is presented in the consolidated statements of comprehensive income (loss).

Foreign Currency Translation - The Company's German subsidiary accounts for its transactions in its functional currency, the Euro. The Company's United Kingdom subsidiary accounts for its transactions in its functional currency, the British pound. Foreign assets and liabilities are translated into United States dollars using the year-end exchange rates. Equity is translated at average historical exchange rates. Results of operations are translated using the average exchange rates throughout the year. Translation gains or losses are accumulated as a separate component of equity.

Derivative Financial Instruments — When deemed appropriate, the Company enters into derivative instruments. The Company does not use derivative financial instruments for speculative or trading purposes. All derivative transactions are linked to an existing balance sheet item or firm commitment, and the notional amount does not exceed the value of the exposure being hedged.

We recognize all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Generally, changes in fair values of derivatives accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in other comprehensive income (loss), net of tax or, if ineffective, on the consolidated statements of operations.

New Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2015-17, Income Taxes (Topic 740) Related to the Balance Sheet Classification of Deferred Taxes which will require entities to present deferred tax assets (DTAs) and deferred tax liabilities (DTLs) as noncurrent in a classified balance sheet. The ASU simplifies the current guidance (ASC 740-10-45-4), which requires entities to separately present DTAs and DTLs as current and noncurrent in a classified balance sheet. The ASU is effective for annual reporting periods beginning on or after December 15, 2016, and interim periods within those annual periods. The Company does not expect the provision of ASU 2015-17 to have a material impact on its consolidated financial statements.

In July 2015, the FASB issued Accounting Standards Update ("ASU") 2015-11, Inventory (Topic 330) Related to Simplifying the Measurement of Inventory which applies to all inventory except inventory that is measured using last-in, first-out ("LIFO") or the retail inventory method. Inventory measured using first-in, first-out ("FIFO") or average cost is covered by the new amendments. Inventory within the scope of the new guidance should be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments will take effect for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The new guidance should be applied prospectively, and earlier application is permitted as of the beginning of an interim or annual reporting period. The Company is evaluating the impact of the standard on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge. It is effective for annual reporting periods beginning after December 15, 2015, but early adoption is permitted. The Company does not expect the provision of ASU 2015-03 to have a material impact on its consolidated financial statements.

In 2015, the FASB issued ASU No. 2015-05, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. The amendments in ASU 2015-05 provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments do not change the accounting for a customer's accounting for service contracts. As a result of the amendments, all software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. The Company is evaluating the impact of the standard on the consolidated financial statements.

In May 2014, the FASB issued new accounting guidance related to revenue recognition. This new standard will replace all current U.S. GAAP guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. This guidance will be effective for the Company beginning January 1, 2018 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. We are currently assessing the impact on the Company's consolidated financial statements.

In 2014, the FASb issued Accounting Standards Update ("ASU") No. 2014-15, 'Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for the Company in the year ended December 31, 2016, and interim periods beginning March 31, 2017, with early application permitted. We do not anticipate a material impact to the consolidated financial statements once implemented.

2. DISCONTINUED OPERATIONS

On June 13, 2013, the Company announced a global strategic restructuring plan designed to accelerate the Company's future growth and reduce costs. See Note 3 for additional information. As part of the global strategic restructuring plan, the Company decided to exit the security and certain microphone and receiver operations. On January 27, 2014, the Company completed the sale of the security business and certain microphone and receiver operations of IntriCon Tibbetts Corporation, IntriCon's wholly owned subsidiary based in Camden, Maine, to Sierra Peaks Corporation, pursuant to an Asset Purchase Agreement entered into on January 27, 2014 between Sierra Peaks Corporation, as the buyer, and IntriCon Tibbetts Corporation as the seller. Sierra Peaks Corporation paid $500 cash at closing for the assets and assumed certain operating liabilities of the businesses.

The Company recorded a loss on the sale of $120. The net loss was computed as follows:

Accounts receivable, net	$ 384
Inventory, net	128
Property, plant and equipment, net	127
Other assets	1
Accounts payable	(69)
Net assets sold	$ 571
Cash proceeds received from Sierra Peaks	500
Net assets sold	(571)
Transaction costs	(49)
Loss on sale of discontinued operations, net of income taxes	$ (120)

The following table shows the results of the Company's discontinued operations:

	Year Ended		
	December 31, 2015	**December 31, 2014**	**December 31, 2013**
Sales, net	$ —	$ 207	$ 2,480
Operating costs and expenses	—	(357)	(4,693)
Loss on impairment	—	—	(1,700)
Operating loss	—	(150)	(3,913)
Other income, net	—	—	41
Net loss from discontinued operations	$ —	$ (150)	$ (3,872)

Management considered the global strategic restructuring plan a triggering event and therefore, in June 2013, the Company evaluated the related assets for impairment and recorded non-cash impairment charges of $983 to the Company's results from discontinued operations. Throughout the remainder of 2013, the Company continued to evaluate the remaining assets for further impairment indicators and, with the continued decline in U.S. Government revenues due to the government sequestration and government shut-down, the Company concluded that an additional non-cash impairment charge of $717 was required for accounts receivable, inventory, fixed assets, and other assets. These charges were recorded in the Company's results from discontinued operations for the year ended December 31, 2013. See further information below.

In determining the nonrecurring fair value measurements of impairment of goodwill and other short and long-term assets, the Company utilized the market value approach, considering the fair value of security, microphone and receiver net assets held for sale or disposition. Based on the market value assessment, the Company determined fair values for the identified assets and incurred impairment charges for the remaining book value of the assets during the year ended December 31, 2013 as set forth in the table below. These charges were reflected in the Company's discontinued operations in 2013.

	Fair value as of measurement date	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impairment Charge
Long-lived assets of discontinued operations	$ 131	$ —	$ —	$ 131	$ 604
Goodwill of discontinued operations	—	—	—	—	515
Accounts Receivable	350	—	—	350	73
Inventory	26	—	—	26	468
Other Assets	3	—	—	3	40

3. RESTRUCTURING CHARGES

On June 13, 2013 the Company announced a global strategic restructuring plan designed to accelerate the Company's future growth by focusing resources on the highest potential growth areas and reduce costs. The plan was approved by the Company's Board of Directors on June 12, 2013. As part of this plan, the Company: reduced investment in certain non-core professional audio communications product lines; transferred specific product lines from Singapore to the Company's lower-cost manufacturing facility in Batam, Indonesia; reduced global administrative and support workforce; transferred the medical coil operations from the Company's Maine facility to Minnesota to better leverage existing manufacturing capacity; sold its remaining security, microphone and receiver operations; added experienced professionals in value hearing health; and focused more resources in medical biotelemetry. During 2014 and 2013, the Company incurred restructuring charges of $83 and $229, respectively, primarily related to employee termination benefits, from the restructuring of its continuing operations. The Company does not expect to incur any additional cash charges related to this restructuring.

4. ACQUISTION OF PC WERTH

On November 3, 2015, the Company acquired the assets of PC Werth Ltd, a leading supplier of hearing healthcare products and equipment to the United Kingdom's National Health Service (NHS). Under the terms of the agreement, the Company paid PC Werth Ltd a total of $197 in cash assumed payables of $393.

The Company accounted for the transaction as a business combination in the fourth quarter of 2015. In accordance with ASC 805, the purchase price is being allocated based on estimates of the fair value of assets acquired and liabilities assumed.

The purchase price was allocated as follows:

Inventory	$ 155
Property, Plant and Equipment	39
Intellectual Property	39
Goodwill	357
Payables	(393)
	$ 197

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. The establishment of goodwill was primarily due to the expected revenue growth that is attributable to increased market penetration from future customers.

The Company has recognized additional revenue of $414 and net earnings (losses) of approximately ($265) relating to the sales of the hearing devices and accessories from November 2015 through December 31, 2015. Unaudited proforma revenues were approximately $73,900 and $73,500 for the years ended December 31, 2015 and 2014, respectively assuming the acquisition occurred on January 1, 2014. Unaudited proforma earnings and basic and diluted earnings per share did not differ materially from actual results reported.

Acquisition costs of $143 were primarily incurred and recorded during the year ended December 31, 2015 and are included in other expenses, net in the consolidated statements of operations. We consider the majority of the acquisition costs to be of the non-operating, miscellaneous nature, as they were incurred as part of a non-operating activity, a business acquisition.

5. GEOGRAPHIC INFORMATION

The geographical distribution of long-lived assets, consisting of property, plant and equipment and net sales to geographical areas as of and for the years ended December 31 is set forth below:

Long-lived Assets

	December 31, 2015	December 31, 2014
United States	$ 5,125	$ 3,307
Other – primarily Singapore and Indonesia	1,617	938
Consolidated	$ 6,742	$ 4,245

Long-lived assets consist of property and equipment. Excluded from long-lived assets are investments in partnerships, patents, license agreements and goodwill. The Company capitalizes long-lived assets pertaining to the production of specialized parts. These assets are periodically reviewed to assure the net realizable value from the estimated future production based on forecasted cash flows exceeds the carrying value of the assets.

Net Sales to Geographical Areas

Net Sales to Geographical Areas	Year Ended December 31 2015	2014	2013
United States	$ 50,899	$ 49,978	$ 36,902
Europe	6,634	6,834	5,714
Asia	10,901	9,641	7,123
All other countries	1,305	1,850	3,222
Consolidated	$ 69,739	$ 68,303	$ 52,961

Geographic net sales are allocated based on the location of the customer.

One customer accounted for 42 percent, 37 percent and 30 percent of the Company's consolidated net sales in 2015, 2014 and 2013, respectively. During 2015, 2014 and 2013, the top five customers accounted for approximately $42,000, $39,000 and $28,000 or 60 percent, 57 percent and 53 percent of the Company's consolidated net sales, respectively.

At December 31, 2015, two customers accounted for a combined 27 percent of the Company's consolidated accounts receivable. Two customers accounted for a combined 28 percent of the Company's consolidated accounts receivable at December 31, 2014.

6. GOODWILL

The Company performed its annual goodwill impairment test as of November 30th for each of the years ended December 31, 2015, 2014 and 2013. The Company completed an analysis to assess the fair value of its reporting unit to determine whether goodwill was impaired and the extent of such impairment, if any for the years ended December 31, 2015, 2014 and 2013. Based upon this analysis, the Company has concluded that no impairment of goodwill or intangible assets occurred during the years ended December 31, 2015 and 2014. However, due to the restructuring plan that took effect in June of 2013, goodwill of $515 was determined to be impaired during the year ended December 31, 2013 and was included in the loss from discontinued operations in the consolidated statement of operations.

The changes in the carrying amount of goodwill for the years presented are as follows:

Carrying amount at December 31, 2012	$	9,709
Changes to the carrying amount		—
Impairment of goodwill of discontinued operations (Note 2)		(515)
Carrying amount at December 31, 2013		9,194
Changes to the carrying amount		—
Carrying amount at December 31, 2014		9,194
Acquistion of assets of PC Werth (Note 4)		357
Carrying amount at December 31, 2015	$	9,551

7. INVENTORIES

Inventories consisted of the following:

	Raw materials	Work-in process	Finished products and components	Total
December 31, 2015				
Domestic	$ 6,514	$ 1,706	$ 2,801	$ 11,021
Foreign	2,472	636	343	3,451
Total	$ 8,986	$ 2,342	$ 3,144	$ 14,472
December 31, 2014				
Domestic	$ 3,993	$ 1,300	$ 1,838	$ 7,131
Foreign	1,894	720	238	2,852
Total	$ 5,887	$ 2,020	$ 2,076	$ 9,983

8. SHORT AND LONG-TERM DEBT

Short and long-term debt at December 31, 2015 and 2014 was as follows:

	December 31, 2015	December 31, 2014
Domestic asset-based revolving credit facility	$ 4,674	$ 3,843
Foreign overdraft and letter of credit facility	913	920
Domestic term-loan	4,250	1,750
Total debt	9,837	6,513
Less: Current maturities	(1,908)	(1,886)
Total long-term debt	$ 7,929	$ 4,627

	Payments Due by Year					
	2016	2017	2018	2019	Thereafter	Total
Domestic credit facility	$ —	$ —	$ —	$ 4,674	$ —	$ 4,674
Domestic term loan	1,000	1,000	1,000	1,250	—	4,250
Foreign overdraft and letter of credit facility	908	5	—	—	—	913
Total debt	$ 1,908	$ 1,005	$ 1,000	$ 5,924	$ —	$ 9,837

Domestic Credit Facilities

The Company and its domestic subsidiaries are parties to a credit facility with The PrivateBank and Trust Company. The credit facility, as amended, provides for:

- an $8,000 revolving credit facility, with a $200 sub facility for letters of credit. Under the revolving credit facility, the availability of funds depends on a borrowing base composed of stated percentages of the Company's eligible trade receivables and eligible inventory, and eligible equipment less a reserve; and
- a term loan in the original amount of $5,000.

In March 2015, the Company and its domestic subsidiaries entered into a Seventh Amendment to the Loan and Security Agreement with The PrivateBank and Trust Company. The amendment, among other things:

- increased the Company's term loan to $5,000 from its then current balance of $1,750, as a result of which the Company borrowed an additional $3,250 under the term loan facility;
- extended the term loan and revolving loan maturity date to February 28, 2019, keeping the existing term loan amortization schedule in place;
- increased the annual capital expenditure limit to $4,500;
- implemented investment provisions that allow for up to $4,000 in investment spending prior to requiring bank approval; and
- lowered interest rates on the term loan and revolving loan

All of the borrowings under this agreement have been characterized as either a current or long-term liability on our balance sheet in accordance with the repayment terms described more fully below.

Loans under the credit facility are secured by a security interest in substantially all of the assets of the Company and its domestic subsidiaries including a pledge of the stock of its domestic subsidiaries. Loans under the credit facility bear interest at varying rates based on the Company's leverage ratio of funded debt / EBITDA, at the option of the Company, at:

- the London InterBank Offered Rate ("LIBOR") plus 2.50% - 4.00%, or
- the base rate, which is the higher of (a) the rate publicly announced from time to time by the lender as its "prime rate" and (b) the Federal Funds Rate plus 0.5%, plus 0.00% - 1.25% ; in each case, depending on the Company's leverage ratio.

Interest is payable monthly in arrears, except that interest on LIBOR based loans is payable at the end of the one, two or three month interest periods applicable to LIBOR based loans. IntriCon is also required to pay a non-use fee equal to 0.25% per year of the unused portion of the revolving line of credit facility, payable quarterly in arrears.

Weighted average interest on our domestic credit facilities was 3.68%, 4.51%, and 4.30% for 2015, 2014, and 2013, respectively.

The outstanding balance of the revolving credit facility was $4,674 and $3,843 at December 31, 2015 and 2014, respectively. The total remaining availability on the revolving credit facility was approximately $3,326 and $3,456 at December 31, 2015 and 2014, respectively.

The outstanding principal balance of the term loan, as amended, is payable in quarterly installments of $250. Any remaining principal and accrued interest is payable on February 28, 2019. IntriCon is also required to use 100% of the net cash proceeds of certain asset sales (excluding inventory and certain other dispositions), sale of capital securities or issuance of debt to pay down the term loan.

The Company was in compliance with the financial covenants under the facility as of December 31, 2015.

Upon the occurrence and during the continuance of an event of default (as defined in the credit facility), the lender may, among other things: terminate its commitments to the borrowers (including terminating or suspending its obligation to make loans and advances); declare all outstanding loans, interest and fees to be immediately due and payable; take possession of and sell any pledged assets and other collateral; and exercise any and all rights and remedies available to it under the Uniform Commercial Code or other applicable law. In the event of the insolvency or bankruptcy of any borrower, all commitments of the lender will automatically terminate and all outstanding loans, interest and fees will be immediately due and payable. Events of default include, among other things, failure to pay any amounts when due; material misrepresentation; default in the performance of any covenant, condition or agreement to be performed that is not cured within 20 days after notice from the lender; default in the performance of obligations under certain subordinated debt, default in the payment of other indebtedness or other obligation with an outstanding principal balance of more than $50, or of any other term, condition or covenant contained in the agreement under which such obligation is created, the effect of which is to allow the other party to accelerate such payment or to terminate the agreements; a breach by a borrower under certain material agreements, the result of which breach is the suspension of the counterparty's performance thereunder, delivery of a notice of acceleration or termination of such agreement; the insolvency or bankruptcy of any borrower; the entrance of any judgment against any borrower in excess of $50, which is not fully covered by insurance; any divestiture of assets or stock of a subsidiary constituting a substantial portion of borrowers' assets; the occurrence of a change in control (as defined in the credit facility); certain collateral impairments; a contribution failure with respect to any employee benefit plan that gives rise to a lien under ERISA; and the occurrence of any event which lender determines could be reasonably expected to have a material adverse effect (as defined in the credit facility).

During 2015, the Company entered into interest rate swaps with The PrivateBank which are accounted for as effective cash flow hedges. The interest rate swaps had a combined initial notional amount of $3,750, with a portion of the swap amortizing on a basis consistent with the $250 quarterly installments required under the term loan. Interest rate swaps, which are considered derivative instruments, of $39 and $19 are reported in the consolidated balance sheets at fair value in other current liabilities at December 31, 2015 and 2014.

Foreign Credit Facility

In addition to its domestic credit facilities, the Company's wholly-owned subsidiary, IntriCon, PTE LTD., entered into an international senior secured credit agreement with Oversea-Chinese Banking Corporation Ltd. that provides for an asset based line of credit. Borrowings bear interest at a rate of .75% to 2.5% over the lender's prevailing prime lending rate. Weighted average interest on the international credit facilities was 3.37% and 4.50% for the years ended December 31, 2015 and 2014. The outstanding balance was $913 and $920 at December 31, 2015 and 2014, respectively. The loans are collateralized by IntriCon, PTE's restricted cash and receivables. The total remaining availability on the international senior secured credit agreement was approximately $817 and $956 at December 31, 2015 and 2014, respectively.

9. OTHER ACCRUED LIABILITIES

Other accrued liabilities at December 31:

	2015	2014
Taxes, including payroll withholdings and excluding income taxes	$ 48	$ 286
Accrued professional fees	173	143
Pension	93	93
Postretirement benefit obligation	103	103
Other	862	739
	$ 1,279	$ 1,364

10. DOMESTIC AND FOREIGN INCOME TAXES

Domestic and foreign income taxes (benefits) were comprised as follows:

	Year Ended December 31		
	2015	2014	2013
Current			
Federal	$ —	$ —	$ —
State	—	—	28
Foreign	27	428	189
Total Current	$ 27	$ 428	$ 217
Deferred			
Federal	—	—	—
State	—	—	—
Foreign	(8)	—	—
Income Tax Expense	$ 19	$ 428	$ 217
Income (loss) from continuing operations before income taxes and discontinued operations			
Foreign	1,792	2,402	(139)
Domestic	344	544	(1,934)
	$ 2,136	$ 2,946	$ (2,073)

The following is a reconciliation of the statutory federal income tax rate to the effective tax rate based on income (loss) from continuing operations:

	Year Ended December 31		
	2015	2014	2013
Tax provision at statutory rate	34.00%	34.00%	(34.00)%
Change in valuation allowance	(13.80)	(1.25)	(5.12)
Impact of permanent items, including stock based compensation expense	(30.97)	16.40	24.15
Effect of foreign tax rates	11.36	(18.04)	6.35
State taxes net of federal benefit	2.78	(3.86)	(1.43)
Effect of dividend of foreign subsidiary in prior year	7.52	3.94	17.16
Prior year provision to return true-up	(9.73)	(10.27)	(5.10)
Non-controlling interest	1.77	—	—
Other	(2.04)	(6.40)	8.45
Domestic and foreign income tax rate	0.89%	14.52%	10.46%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2015, and 2014 are presented below:

	Year Ended December 31	
	2015	**2014**
Deferred tax assets:		
Net operating loss carry forwards and credits	$ 7,931	$ 8,125
Depreciation and amortization	—	284
Inventory	563	436
Compensation accruals	1,273	1,111
Accruals and reserves	113	88
Credits	236	225
Other	212	190
Total Deferred tax assets	10,328	10,459
Less: valuation allowance	(9,810)	(10,105)
Deferred tax assets net of valuation allowance	$ 518	$ 354
Deferred tax liabilities		
Depreciation and amortization	(156)	—
Undistributed earnings of foreign subsidiary	(319)	(354)
Total deferred tax liabilities	(475)	(354)
Net deferred tax	$ 43	$ —

The valuation allowance is maintained against deferred tax assets which the Company has determined are more likely than not to be unrealized. The change in valuation allowance was $(295), $59, and $(637) for the years ended December 31, 2015, 2014 and 2013, respectively. For tax reporting purposes, the Company has actual federal and state net operating loss carryforwards of $21,784 and $6,863, respectively, as of December 31, 2015. These net operating loss carryforwards begin to expire in 2022 for federal tax purposes and 2017 for state tax purposes. Subsequently recognized tax benefits, if any, related to the valuation allowance for deferred tax assets or realization of net operating loss carryforwards will be reported in the consolidated statements of operations. If substantial changes in the Company's ownership occur, there could be an annual limitation on the amount of the carryforwards that are available to be utilized.

Excluded from the Company's net operating loss carryforwards is $388 resulting from the exercise of non-qualified stock options. Because the Company is currently in an NOL position, the windfall is not recorded through additional paid-in capital until the tax benefit is recognized through a reduction in actual tax payments.

During 2013, the company changed its indefinite reinvestment assertion and recognized a deferred tax liability relating to cumulative undistributed earnings of controlled foreign subsidiaries in Germany. The Company has not recognized a deferred tax liability relating to cumulative undistributed earnings of controlled foreign subsidiaries in Singapore and Indonesia that are essentially permanent in duration. If some or all of the undistributed earnings of the controlled foreign subsidiaries are remitted to the Company in the future, income taxes, if any, after the application of foreign tax credits will be accrued at that time. Determination of the amount of unrecognized tax liability related to undistributed earnings in foreign subsidiaries is not currently practical.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company regularly assesses the likelihood that the deferred tax assets will be recovered from future taxable income. The Company considers projected future taxable income and ongoing tax planning strategies, then records a valuation allowance to reduce the carrying value of the net deferred taxes to an amount that is more likely than not able to be realized. Based upon the Company's assessment of all available evidence, including the previous three years of United States based taxable income and loss after permanent items, estimates of future profitability, and the Company's overall prospects of future business, the Company determined that it is more likely than not that the Company will not be able to realize a portion of the deferred tax assets in the future. The Company will continue to assess the potential realization of deferred tax assets on an annual basis, or an interim basis if circumstances warrant. If the Company's actual results and updated projections vary significantly from the projections used as a basis for this determination, the Company may need to change the valuation allowance against the gross deferred tax assets.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. The Company has analyzed all tax positions for which the statute of limitations remains open. As a result of the assessment, the Company has not recorded any liabilities for unrecognized income tax benefits or retained earnings. The Company does not have any unrecognized tax benefits as of December 31, 2015 and 2014.

The Company is subject to income taxes in the U.S. federal jurisdiction, and various states and foreign jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. The Company is still subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for the years 2003 to 2005 and for the years 2009 and after. There are no other on-going or pending IRS, state, or foreign examinations.

The Company recognizes penalties and interest accrued related to liability on unrecognized tax benefits in income tax expense for all periods presented. As of December 31, 2015 and 2014, the Company has no amounts accrued for the payment of interest and penalties.

11. EMPLOYEE BENEFIT PLANS

The Company has defined contribution plans for most of its domestic employees. Under these plans, eligible employees may contribute amounts through payroll deductions supplemented by employer contributions for investment in various investments specified in the plans. The Company contributions to these plans were $341 for 2015, $271 for 2014 and $0 for 2013.

The Company provides post-retirement medical benefits to certain former domestic employees who met minimum age and service requirements. In 1999, a plan amendment was instituted which limits the liability for post-retirement benefits beginning January 1, 2000 for certain employees who retire after that date. This plan amendment resulted in a $1,100 unrecognized prior service cost reduction which is recognized as employees render the services necessary to earn the post-retirement benefit. The Company’s policy is to pay the cost of these post-retirement benefits when required on a cash basis. The Company also has provided certain foreign employees with retirement related benefits. In 2015, the mortality tables were updated causing a $62k change in the estimated post-retirement medical benefit obligation.

The following table presents the amounts recognized in the Company’s consolidated balance sheets at December 31, 2015 and 2014 for post-retirement medical benefits:

	2015	2014
Change in Projected Benefit Obligation		
Projected benefit obligation at January 1	$ 588	$ 633
Interest cost	25	26
Actuarial loss	134	36
Participant contributions	25	27
Benefits paid	(127)	(134)
Projected benefit obligation at December 31	645	588
Change in fair value of plan assets		
Employer contributions	102	107
Participant contributions	25	27
Benefits paid	(127)	(134)
Funded status	(645)	(588)
Current liabilities	103	103
Noncurrent liabilities	542	485
Net amount recognized	645	588
Amount recognized in other comprehensive income	—	—
Unrecognized net actuarial gain	—	—
Total	$ —	$ —

Accrued post-retirement medical benefit costs are classified as other post-retirement benefit obligations as of December 31, 2015 and 2014.

Net periodic post-retirement medical benefit costs for 2015, 2014, and 2013 included the following components:

For measurement purposes, a 7.0% annual rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) was assumed for 2015; the rate was assumed to decrease gradually to 3.5% by the year 2019 and remain at that level thereafter. The difference in the health care cost trend rate assumption may have a significant effect on the amounts reported. Employer contributions for 2015 are expected to be approximately $103.

The assumptions used for the years ended December 31 were as follows:

	2015	2014	2013
Annual increase in cost of benefits	7.0%	7.0%	7.0%
Discount rate used to determine year-end obligations	4.5%	4.5%	4.0%
Discount rate used to determine year-end expense	4.5%	4.5%	4.5%

In addition to the post-retirement medical benefits, the Company provides retirement related benefits to certain former executive employees and to certain employees of foreign subsidiaries. The liabilities established for these benefits at December 31, 2015 and 2014 are illustrated below.

	2015	2014
Current portion	$ 93	$ 93
Long-term portion	805	741
Total liability at December 31	$ 898	$ 834

The Company calculated the fair values of the pension plans above utilizing a discounted cash flow, using standard life expectancy tables, annual pension payments, and a discount rate of 4.5%. In 2015, the mortality tables were updated causing a $133k change in the estimated pension plans benefit obligation.

The following employer benefit payments (medical and pension), which reflect expected future service, are expected to be paid:

2016	$ 196
2017	193
2018	177
2019	164
2020	152
Years 2021-2025	532

12. CURRENCY TRANSLATION AND TRANSACTION ADJUSTMENTS

All assets and liabilities of foreign operations in which the functional currency is not the U.S. dollar are translated into U.S. dollars at prevailing rates of exchange in effect at the balance sheet date. Revenues and expenses are translated using average rates of exchange for the year. Adjustments resulting from the process of translating the financial statements of foreign subsidiaries into U.S. dollars are reported as a separate component of equity, net of tax, where appropriate.

Foreign currency transaction amounts included in the consolidated statements of operations include a loss of $40, $51, and $42 in 2015, 2014 and 2013, respectively.

13. COMMON STOCK AND STOCK OPTIONS

The Company has a 2006 Equity Incentive Plan and a 2015 Equity Incentive Plan. The 2015 Equity Incentive Plan, which was approved by the shareholders on April 24, 2015, replaced the 2006 Equity Incentive Plan. New grants may not be made under the 2006 plan; however certain option grants under these plans remain exercisable as of December 31, 2015. The aggregate number of shares of common stock for which awards could be granted under the 2015 Equity Incentive Plan as of the date of adoption was 500 shares. Additionally, as outstanding options under the 2006 plan expire, the shares of the Company's common stock subject to the expired options will become available for issuance under the 2015 Equity Incentive Plan.

Under the various plans, executives, employees and outside directors receive awards of options to purchase common stock. Under the 2015 equity incentive plan, the Company may also grant stock awards, stock appreciation rights, restricted stock units and other equity-based awards, although no such awards, other than awards under the director program and management purchase program described below, had been granted as of December 31, 2015. Under all awards, the terms are fixed on the grant date. Generally, the exercise price of stock options equals the market price of the Company's stock on the date of the grant. Options under the plans generally vest over three years, and have a maximum term of 10 years.

Additionally, the board has established the non-employee directors' stock fee election program, referred to as the director program, as an award under the 2015 equity incentive plan. The director program gives each non-employee director the right under the 2015 equity incentive plan to elect to have some or all of his quarterly director fees paid in common shares rather than cash. There were no shares issued in lieu of cash for director fees under the director program for each of the years ended December 31, 2015, 2014 and 2013, respectively.

On July 23, 2008, the Compensation Committee of the Board of Directors approved the non-employee director and executive officer stock purchase program, referred to as the management purchase program, as an award under the 2015 Plan. The purpose of the management purchase program is to permit the Company's non-employee directors and executive officers to purchase shares of the Company's Common Stock directly from the Company. Pursuant to the management purchase program, as amended, participants may elect to purchase shares of Common Stock from the Company not exceeding an aggregate of $100 during any fiscal year. Participants may make such election one time during each twenty business day period following the public release of the Company's earnings announcement, referred to as a window period, and only if such participant is not in possession of material, non-public information concerning the Company and subject to the discretion of the Board to prohibit any transactions in Common Stock by directors and executive officers during a window period. There was 1 share purchased under the management purchase program during the year ended December 31, 2014 and no shares purchased under the program during the years ended December 31, 2015 and 2013.

Stock option activity during the periods indicated is as follows:

	Number of Shares	Weighted-average Exercise Price	Aggregate Intrinsic Value
Outstanding at December 31, 2012	1,244	$ 5.97	
Options forfeited or cancelled	(15)	5.21	
Options granted	192	4.06	
Options exercised	(14)	2.86	
Outstanding at December 31, 2013	1,407	5.75	
Options forfeited or cancelled	(63)	7.87	
Options granted	174	4.99	
Options exercised	(205)	3.74	
Outstanding at December 31, 2014	1,313	5.86	
Options granted	170	7.14	
Options exercised	(159)	3.12	
Outstanding at December 31, 2015	1,324	$ 6.36	$ 2,640
Exercisable at December 31, 2014	984	$ 6.17	$ 1,830
Exercisable at December 31, 2015	989	$ 6.50	$ 2,076
Available for future grant at December 31, 2015	490		

The number of shares available for future grant at December 31, 2015, does not include a total of up to 1,282 shares subject to options outstanding under the 2006 plan which will become available for grant under the 2015 Equity Incentive Plan in the event of the expiration of such options.

The weighted-average remaining contractual term of options exercisable and outstanding at December 31, 2015, were 4.14 and 5.24 years, respectively. The total intrinsic value of options exercised during fiscal 2015, 2014, and 2013, was $630, $635, and $12, respectively.

The weighted-average per share grant date fair value of options granted was $4.50, $3.28, and $4.06, in 2015, 2014, and 2013, respectively, using the Black-Scholes option-pricing model.

For disclosure purposes, the fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2015	2014	2013
Dividend yield	0.0%	0.0%	0.0%
Expected volatility	65.15 - 72.81%	75.03 - 75.59%	70.84 - 72.19%
Risk-free interest rate	1.42-1.88%	2.00-2.07%	.91-1.07%
Expected life (years)	6.0	6.0	6.0

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of subjective assumptions, including the expected stock price volatility. Because the Company's options have characteristics different from those of traded options, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of its options.

The Company calculates expected volatility for stock options and awards using the Company's historical volatility.

The expected term for stock options and awards is calculated based on the Company's estimate of future exercise at the time of grant.

The Company currently estimates a five percent forfeiture rate for stock options and regularly reviews this estimate.

The risk-free rates for the expected terms of the stock options and awards and the employee stock purchase plan is based on the U.S. Treasury yield curve in effect at the time of grant.

The Company recorded $578, $457, and $532 of non-cash stock option expense for the years ended December 31, 2015, 2014 and 2013, respectively. There were 64 stock options that were exercised using a cashless method of exercise for the year ended December 31, 2015. As of December 31, 2015, there was $718 of total non-cash stock option expense related to non-vested awards that is expected to be recognized over a weighted-average period of 1.87 years.

The Company also has an Employee Stock Purchase Plan (the "Purchase Plan"). The Purchase Plan, as amended, provides that a maximum of 200 shares may be sold under the Purchase Plan. There were 14, 16, and 26 shares purchased under the plan during the years ended December 31, 2015, 2014 and 2013, respectively.

The Company issues new shares of stock upon the exercise of stock options.

14. INCOME (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted income (loss) per share:

	Year Ended December 31		
	2015	2014	2013
Numerator:			
Income (loss) before discontinued operations	$ 2,117	$ 2,518	$ (2,290)
Loss from discontinued operations, net of income taxes	—	(270)	(3,872)
Net income (loss)	2,117	2,248	(6,162)
Less: Loss allocated to non-controlling interest	(111)	—	—
Net income (loss) attributable to IntriCon shareholders	$ 2,228	$ 2,248	$ (6,162)
Denominator:			
Basic – weighted shares outstanding	5,907	5,791	5,699
Weighted shares assumed upon exercise of stock options	334	247	—
Diluted – weighted shares outstanding	6,241	6,038	5,699
Basic income (loss) per share attributable to IntriCon shareholders:			
Continuing operations	$ 0.38	$ 0.43	$ (0.40)
Discontinued operations	—	(0.05)	(0.68)
Net income (loss) per share:	$ 0.38	$ 0.39	$ (1.08)
Diluted income (loss) per share attributable to IntriCon shareholders:			
Continuing operations	$ 0.36	$ 0.42	$ (0.40)
Discontinued operations	—	(0.04)	(0.68)
Net income (loss) per share:	$ 0.36	$ 0.37	$ (1.08)

The Company excluded stock options of 71, 21, and 1,407, in 2015, 2014, and 2013, respectively, from the computation of the diluted income per share as their effect would be anti-dilutive. For additional disclosures regarding the stock options, see Note 13.

15. CONTINGENCIES AND COMMITMENTS

The Company is a defendant along with a number of other parties in lawsuits alleging that plaintiffs have or may have contracted asbestos-related diseases as a result of exposure to asbestos products or equipment containing asbestos sold by one or more named defendants. These lawsuits relate to the discontinued heat technologies segment which was sold in March 2005. Due to the non-informative nature of the complaints, the Company does not know whether any of the complaints state valid claims against the Company. Certain insurance carriers have informed the Company that the primary policies for the period August 1, 1970-1978 have been exhausted and that the carriers will no longer provide defense and insurance coverage under those policies. However, the Company has other primary and excess insurance policies that the Company believes afford coverage for later years. Some of these other primary insurers have accepted defense and insurance coverage for these suits, and some of them have either ignored the Company's tender of defense of these cases, or have denied coverage, or have accepted the tenders but asserted a reservation of rights and/or advised the Company that they need to investigate further. Because settlement payments are applied to all years a litigant was deemed to have been exposed to asbestos, the Company believes that it will have funds available for defense and insurance coverage under the non-exhausted primary and excess insurance policies. However, unlike the older policies, the more recent policies have deductible amounts for defense and settlements costs that the Company will be required to pay; accordingly, the Company expects that its litigation costs will increase in the future. Further, many of the policies covering later years (approximately 1984 and thereafter) have exclusions for any asbestos products or operations, and thus do not provide insurance coverage for asbestos-related lawsuits. The Company does not believe that the asserted exhaustion of some of the primary insurance coverage for the 1970-1978 period will have a material adverse effect on its financial condition, liquidity, or results of operations. Management believes that the number of insurance carriers involved in the defense of the suits, and the significant number of policy years and policy limits under which these insurance carriers are insuring the Company, make the ultimate disposition of these lawsuits not material to the Company's consolidated financial position or results of operations.

The Company's former wholly owned French subsidiary, Selas SAS, filed for insolvency in France. The Company may be subject to additional litigation or liabilities as a result of the completion of the French insolvency proceeding, including liabilities under guarantees aggregating approximately $421.

The Company is also involved in other lawsuits arising in the normal course of business. While it is not possible to predict with certainty the outcome of these matters, management is of the opinion that the disposition of these lawsuits and claims will not materially affect our consolidated financial position, liquidity or results of operations.

Total expense for 2015, 2014 and 2013 under leases pertaining primarily to engineering, manufacturing, sales and administrative facilities, with an initial term of one year or more, aggregated $1,300, $1,071, and $1,304, respectively. Remaining payments under such leases are as follows: 2016- $1,132; 2017- $517; 2018 - $407, which includes two leased facility in Minnesota that expire in 2016 and one that expires in 2017, one leased facility in California that expires in 2016, one leased facility in Singapore that expires in 2020, one leased facility in Indonesia that expires in 2016, one leased facility in the United Kingdom that expires in 2016, and one leased facility in Germany that expires in 2017. Certain leases contain renewal options as defined in the lease agreements.

On October 5, 2007, the Company entered into employment agreements with its executive officers. The agreements call for payments ranging from ten months to two years base salary and unpaid bonus, if any, to the executives should there be a change of control as defined in the agreement and the executives are not retained for a period of at least one year following such change of control. Under the agreements, all stock options granted to the executives would vest immediately and be exercisable in accordance with the terms of such stock options. The Company also agreed that if it enters into an agreement to sell substantially all of its assets, it will obligate the buyer to fulfill its obligations pursuant to the agreements. The agreements terminate, except to the extent that any obligation remains unpaid, upon the earlier of termination of the executive's employment prior to a change of control or asset sale for any reason or the termination of the executive after a change of control for any reason other than by involuntary termination as defined in the agreements.

16. RELATED-PARTY TRANSACTIONS

One of the Company's subsidiaries leases office and factory space from a partnership consisting of three present or former officers of the subsidiary, including Mark Gorder, a member of the Company's Board of Directors and the President and Chief Executive Officer of the Company. The subsidiary is required to pay all real estate taxes and operating expenses. The total base rent expense, real estate taxes and other charges incurred under the lease was approximately $487, $486 and $486 for the years ended December 31, 2015, 2014 and 2013, respectively.

The Company uses the law firm of Blank Rome LLP for legal services. A partner of that firm is the son-in-law of the Chairman of our Board of Directors. The Company paid approximately $203, $156, and $228 to Blank Rome LLP for legal services and costs in 2015, 2014 and 2013, respectively. The Chairman of our Board of Directors is considered independent under applicable NASDAQ and SEC rules because (i) no payments were made to the Chairman or the partner directly in exchange for the services provided by the law firm and (ii) the amounts paid to the law firm did not exceed the thresholds contained in the NASDAQ standards. Furthermore, the aforementioned partner does not provide any legal services to the Company and is not involved in billing matters.

17. STATEMENTS OF CASH FLOWS

Supplemental disclosures of cash flow information:

	Year Ended December 31		
	2015	2014	2013
Interest received	$ 1	$ 1	$ 1
Interest paid	437	432	512
Income taxes paid	263	132	27
Shares issued for director services in lieu of fees	—	1	—

18. REVENUE BY MARKET

The following table sets forth, for the periods indicated, net revenue by market:

	Year Ended December 31		
	2015	2014	2013
Medical	$ 40,821	$ 35,109	$ 25,978
Hearing Health	21,089	22,959	19,739
Professional Audio Communications	7,829	10,235	7,244
Total Net Sales	$ 69,739	$ 68,303	$ 52,961

19. SUBSEQUENT EVENTS

The Company has reviewed events subsequent to the date these consolidated financial statements were issued and noted no matters requiring adjustment to or disclosure in these consolidated financial statements.

ITEM 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. As of the end of the period covered by this report (the "Evaluation Date"), the Company carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer (principal executive officer) and the Chief Financial Officer (principal financial officer), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in applicable rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting. The report of management required under this Item 9A is contained in Item 8 of this Annual Report on Form 10-K under the caption "Management's Report on Internal Control Over Financial Reporting."

Changes in Internal Controls over Financial Reporting. There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recent fiscal quarter covered by this report that would have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

ITEM 9B. Other Information

None

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

The information called for by Item 10 is incorporated by reference from the Company's definitive proxy statement relating to its 2016 annual meeting of shareholders, including but not necessarily limited to the sections of the 2016 proxy statement entitled "Proposal 1 – Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance."

The information concerning executive officers contained in Item 4A hereof is incorporated by reference into this Item 10.

Code of Ethics

The Company has adopted a code of ethics that applies to its directors, officers and employees, including its principal executive officer, principal financial and accounting officer, controller and persons performing similar functions. Copies of the Company'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. The Company intends to satisfy the disclosure requirement under Item 10 of Form 8-K regarding any future amendments to a provision of its code of ethics by posting such information on the Company's website: www.intricon.com.

ITEM 11. Executive Compensation

The information called for by Item 11 is incorporated by reference from the Company's definitive proxy statement relating to its 2016 annual meeting of shareholders, including but not necessarily limited to the sections of the 2016 proxy statement entitled "Director Compensation for 2015," and "Executive Compensation".

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information called for by Item 12 is incorporated by reference from the Company's definitive proxy statement relating to its 2016 annual meeting of shareholders, including but not necessarily limited to the section of the 2016 proxy statement entitled "Share Ownership of Certain Beneficial Owners, Directors and Certain Officers."

Equity Compensation Plan Information

The following table details information regarding the Company's existing equity compensation plans as of December 31, 2015:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders(1)	1,325	$ 6.36	518
Equity Compensation plans not approved by security holders	—	—	—
Total	1,325	$ 6.36	518

1) The amount shown in column (c) includes 490 shares issuable under the Company's 2015 Equity Incentive Plan (the "2015 Plan") and 28 shares available for purchase under the Company's Employee Stock Purchase Plan. Under the terms of the 2015 Plan, as outstanding options under the Company's 2006 Equity Incentive Plan expire, the shares of common stock subject to the expired options will become available for issuance under the 2015 Plan. As of December 31, 2015, 1,282 shares of common stock were subject to outstanding options under the 2006 Equity Incentive Plan. Accordingly, if any of these options expire, the shares of common stock subject to expired options also will be available for issuance under the 2015 Plan.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information called for by Item 13 is incorporated by reference from the Company's definitive proxy statement relating to its 2016 annual meeting of shareholders, including but not necessarily limited to the sections of the 2016 proxy statement entitled "Certain Relationships and Related Party Transactions" and "Independence of the Board of Directors."

ITEM 14. Principal Accounting Fees and Services

The information called for by Item 14 is incorporated by reference from the Company's definitive proxy statement relating to its 2016 annual meeting of shareholders, including but not necessarily limited to the sections of the 2016 proxy statement entitled "Independent Registered Public Accounting Fee Information."

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as a part of this report:

1) Financial Statements – The consolidated financial statements of the Registrant are set forth in Item 8 of Part II of this report.

Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013

Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2015, 2014 and 2013.

Consolidated Balance Sheets at December 31, 2015 and 2014.

Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013.

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2015, 2014 and 2013.

Notes to Consolidated Financial Statements.

3) Exhibits –

2.1 Asset Purchase Agreement dated as of January 27, 2014 between Sierra Peaks Corporation and IntriCon Tibbetts Corporation. (Schedules and exhibits are omitted pursuant to Regulation S-K, Item 601(b)(2); IntriCon Corporation agrees to furnish a copy of such schedules and/or exhibits to the Securities and Exchange Commission upon request.) (Incorporated by reference from the Company's Current Report on Form 8-K/A filed with the Commission on January 31, 2014.)

3.1 The Company's Amended and Restated Articles of Incorporation, as amended. (Incorporated by reference from the Company's Current Report on Form 8-K filed with the Commission on April 24, 2008.)

3.2 The Company's Amended and Restated By-Laws. (Incorporated by reference from the Company's Current Report on Form 8-K filed with the Commission October 12, 2007.)

4.1 Specimen Common Stock Certificate. (Incorporated by reference from the Company's Registration Statement on Form S-3 (registration no. 333-200182) filed with the Commission on November 13, 2014.)

+ 10.2 Supplemental Retirement Plan (amended and restated effective January 1, 1995). (Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 1995.)

10.3.1 Amended and Restated Office/Warehouse Lease, between Resistance Technology, Inc. and Arden Partners I. L.L.P. (of which Mark S. Gorder is one of the principal owners) dated November 1, 1996. (Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 1996.)

10.3.2 Amended and Restated Office/Warehouse Lease Third Extension Agreement dated as of October 20, 2011 between IntriCon Inc. and Arden Partners I, L.L.P. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.)

10.3.3 Amended and Restated Office/Warehouse Lease Second Extension Agreement dated as of September 19, 2013 between IntriCon Inc. and Arden Partners I, L.L.P. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013.)

+ 10.5 2006 Equity Incentive Plan. (Incorporated by reference from Appendix A to the Company's proxy statement filed with the SEC on March 15, 2010.)

+ 10.6 Form of Stock Option Agreement issued to executive officers pursuant to the 2006 Equity Incentive Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.)

+ 10.7 Form of Stock Option Agreement issued to directors pursuant to the 2006 Equity Incentive Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.)

+ 10.8 Non-Employee Directors Stock Fee Election Program. (Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2006.)

+10.9 Non-Employee Director and Executive Officer Stock Purchase Program, as amended. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.)

+ 10.10 Deferred Compensation Plan. (Incorporated by reference from the Company's Current Report on Form 8-K filed with the Commission on May 17, 2006.)

10.11 Land and Building Lease Agreement between Resistance Technology, Inc. and MDSC Partners, LLP dated June 15, 2006. (Incorporated by reference from the Company's Current Report on Form 8-K filed with the Commission on June 21, 2006.)

10.12	Agreement by and between K/S HIMPP and IntriCon Corporation dated December 1, 2006 and the schedules thereto. (Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2006.)
+ 10.13	Employment Agreement with Mark S. Gorder. (Incorporated by reference from the Company's Current Report on Form 8-K filed with the Commission October 12, 2007.)
+ 10.14	Form of Employment Agreement with executive officers. (Incorporated by reference from the Company's Current Report on Form 8-K filed with the Commission October 12, 2007.)
10.15	Strategic Alliance Agreement among IntriCon Corporation and Dynamic Hearing Pty Ltd effective as of October 1, 2008. (Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2008.)
10.16	First Amendment to Strategic Alliance Agreement among IntriCon Corporation and Dynamic Hearing Pty Ltd effective as of January 1, 2011. (Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2011.)
10.17.1	Loan and Security Agreement dated as of August 13, 2009 by and among IntriCon Corporation, RTI Electronics, Inc., IntriCon Tibbetts Corporation, IntriCon Datrix Corporation (f/k/a Jon Barron, Inc.) and The PrivateBank and Trust Company. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009.)
10.17.2	First Amendment and Waiver dated March 12, 2010 to Loan and Security Agreement dated as of August 13, 2009 by and among IntriCon Corporation, RTI Electronics, Inc., IntriCon Tibbetts Corporation, IntriCon Datrix Corporation and The PrivateBank and Trust Company. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.)
10.17.3	Second Amendment to Loan and Security Agreement and Limited Consent dated as of August 12, 2011 to Loan and Security Agreement dated as of August 13, 2009 by and among IntriCon Corporation, IntriCon, Inc., IntriCon Tibbetts Corporation, IntriCon Datrix Corporation and The PrivateBank and Trust Company. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.)
10.17.4	Third Amendment to Loan and Security Agreement and Waiver dated as of March 1, 2012 to Loan and Security Agreement dated as of August 13, 2009 by and among IntriCon Corporation, IntriCon, Inc., IntriCon Tibbetts Corporation, IntriCon Datrix Corporation and The PrivateBank and Trust Company. (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2012.)
10.17.5	Fourth Amendment to Loan and Security Agreement and Consent among the Company, IntriCon, Inc., IntriCon Tibbetts Corporation, IntriCon Datrix Corporation and The PrivateBank and Trust Company, dated as of August 6, 2012. (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2012.)
10.17.6	Fifth Amendment to Loan and Security Agreement among the Company, IntriCon, Inc., IntriCon Tibbetts Corporation, IntriCon Datrix Corporation and The PrivateBank and Trust Company, dated as of December 21, 2012. (incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on December 21, 2012.)
10.17.7	Sixth Amendment to Loan and Security Agreement and Waiver among the Company, IntriCon, Inc., IntriCon Tibbetts Corporation, IntriCon Datrix Corporation and The PrivateBank and Trust Company, dated as of February 14, 2014. (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on February 19, 2014.)
10.17.8	Seventh Amendment to Loan and Security Agreement among the Company, IntriCon, Inc., IntriCon Tibbetts Corporation and The PrivateBank and Trust Company, dated as of March 31, 2015. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.)
10.18	Revolving Credit Note issued to The PrivateBank and Trust Company dated August 13, 2009. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009.)

10.19.1	Term Note issued to The PrivateBank and Trust Company dated August 13, 2009. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009.)
10.19.2	Term Note dated August 12, 2011 from IntriCon Corporation, IntriCon, Inc., IntriCon Tibbetts Corporation and IntriCon Datrix Corporation to The PrivateBank and Trust Company. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.)
10.19.3	Second Amended and Restated Term Note from the Company, IntriCon, Inc. and IntriCon Tibbetts Corporation to The PrivateBank and Trust Company. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.)
+10.22	Annual Incentive Plan for Executives and Key Employees. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012.)
+10.23	Amended and Restated Amendment to Equity Plans. (Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2013.)
+10.24*	Amendment No. 2 to Equity Plans. (Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2014.)
+10.4	2015 Equity Incentive Plan. (incorporated by reference from Appendix A to the Company's proxy statement filed with the SEC on March [ ], 2016.)
+10.5	Form of Stock Option Agreement issued to employees pursuant to the 2015 Equity Incentive Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.)
+10.6	Form of Stock Option Agreement issued to directors pursuant to the 2015 Equity Incentive Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.)
21.1*	List of significant subsidiaries of the Company.
23.1*	Consent of Independent Registered Public Accounting Firm (Baker Tilly Virchow Krause, LLP).
31.1*	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of principal executive officer pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of principal financial officer pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from IntriCon Corporation's Annual Report on Form 10-K for the year ended December 31, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013; (ii) Consolidated Statements of Comprehensive Income (Loss); (iii) Consolidated Balance Sheets as of December 31, 2015 and 2014; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013; (v) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2015, 2014 and 2013; and (vi) Notes to Consolidated Financial Statements.

* Filed herewith.
\+ Denotes management contract, compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTRICON CORPORATION
(Registrant)

By: /s/ Scott Longval
Scott Longval
Chief Financial Officer, Treasurer and Secretary

Dated: March 11, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Mark S. Gorder
Mark S. Gorder
President and Chief Executive
Officer and Director (principal executive officer)
March 11, 2016

/s/ Scott Longval
Scott Longval
Chief Financial Officer
Treasurer and Secretary
(principal accounting and financial officer)
March 11, 2016

/s/Nicholas A. Giordano
Nicholas A. Giordano
Director
March 11, 2016

/s/Robert N. Masucci
Robert N. Masucci
Director
March 11, 2016

/s/ Michael J. McKenna
Michael J. McKenna
Director
March 11, 2016

/s/ Philip N. Seamon
Philip N. Seamon
Director
March 11, 2016

EXHIBIT INDEX

EXHIBITS:

21	List of significant subsidiaries of the Company.
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31.2	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
32.2	Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
101	The following materials from IntriCon Corporation's Annual Report on Form 10-K for the year ended December 31, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013; (ii) Consolidated Statements of Comprehensive Income (Loss); (iii) Consolidated Balance Sheets as of December 31, 2015 and 2014; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013; (v) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2015, 2014 and 2013; and (vi) Notes to Consolidated Financial Statements.

EXHIBIT 21.1

Significant Subsidiaries of
IntriCon Corporation

Subsidiary	Place of Incorporation
IntriCon GmbH Vertrieb von Elecktronikteilen	Germany
IntriCon UK Limited	United Kingdom
IntriCon, Inc. (formerly Resistance Technology, Inc.)	Minnesota
IntriCon PTE LTD.	Singapore
PT IntriCon Indonesia	Indonesia

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (Registration No 333-200182) and Forms S-8 (Registration Nos. 333-16377, 333-66433, 333-59694, 333-129104, 333-134256, 333-145577, 333-168586, 333-173837, 333-181160 and 333-204123) of IntriCon Corporation and Subsidiaries of our report dated March 11, 2016, relating to the consolidated financial statements, which appears on page 34 of this annual report on Form 10-K for the year ended December 31, 2015.

/s/ BAKER TILLY VIRCHOW KRAUSE, LLP

Minneapolis, Minnesota
March 11, 2016

EXHIBIT 31.1

CERTIFICATION

I, Mark S. Gorder, certify that:

1. I have reviewed this annual report on Form 10-K of IntriCon Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2016

/s/ Mark S. Gorder
Chief Executive Officer
(principal executive officer)

EXHIBIT 31.2

CERTIFICATION

I, Scott Longval, certify that:

1. I have reviewed this annual report on Form 10-K of IntriCon Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2016

/s/ Scott Longval
Chief Financial Officer
(principal financial officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C.SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark S. Gorder, Chief Executive Officer (principal executive officer) of IntriCon Corporation (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1) the annual report on Form 10-K of the Company for the year ended December 31, 2015 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 11, 2016

/s/ Mark S. Gorder
Mark S. Gorder
President and Chief Executive Officer
(principal executive officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C.SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott Longval, Chief Financial Officer (principal financial officer)of IntriCon Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1) the annual report on Form 10-K of the Company for the year ended December 31, 2015 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 11, 2016

/s/ Scott Longval
Scott Longval
Chief Financial Officer and Treasurer (principal financial officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

INTRICON CORPORATION
1260 Red Fox Road
Arden Hills, Minnesota 55112

March 11, 2016

Dear Shareholder:

It is my great pleasure to invite you to attend the 2016 Annual Meeting of Shareholders (the "Annual Meeting"). The Annual Meeting will be held on Thursday, April 28, 2016 at 11:30 a.m., local time, at the Hampton Inn North located at 1000 Gramsie Road, Shoreview, Minnesota 55126.

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

- the election of two directors, each 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;
- the approval of an amendment to our Employee Stock Purchase Plan to increase the number of shares which may be purchased under that plan by 100,000 shares; and
- the ratification of the appointment of Baker Tilly Virchow Krause, LLP, as IntriCon Corporation's independent registered public accounting firm for fiscal year 2016.

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 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 28, 2016

The 2016 Annual Meeting of Shareholders (the "Annual Meeting") of IntriCon Corporation (the "Corporation") will be held on Thursday, April 28, 2016 at 11:30 a.m., local time, at the Hampton Inn North located at 1000 Gramsie Road, Shoreview, Minnesota 55126 for the following purposes:

(1) to elect two director to hold office, each 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 approve an amendment to our Employee Stock Purchase Plan to increase the number of shares which may be purchased under that plan by 100,000 shares;

(4) to ratify the appointment of Baker Tilly Virchow Krause, LLP as the Corporation's independent registered public accounting firm for fiscal year 2016; and

(5) 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 23, 2016 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 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 27, 2016, 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.

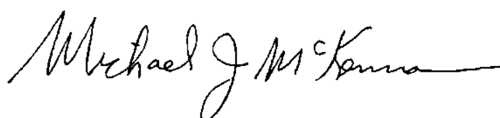
If your shares are held in "street name" (that is, if your stock is registered in the name of your broker, bank, or other nominee), please contact your broker, bank or nominee to determine whether you will be able to vote over the Internet or by telephone.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on April 28, 2016

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 18, 2016, 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 11, 2016
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 2016 Annual Meeting of Shareholders (the "Annual Meeting") to be held on Thursday, April 28, 2016 at the Hampton Inn North 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 18, 2016.

The Board of Directors has fixed the close of business on February 23, 2016 as the record date for determination of the shareholders entitled to notice of and to vote at the Annual Meeting. As of February 23, 2016, there were 5,981,756 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 two nominees for director, "**for**" the approval of the compensation of our Named Executive Officers as described in this Proxy Statement, "**for**" the approval of the amendment to the Employee Stock Purchase Plan 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 2016. 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 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 27, 2016, 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 directors 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: approval of the amendment of the Employee Stock Purchase Plan 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 4: the ratification of the appointment of the independent registered public accounting firm for fiscal year 2016 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 and the Pennsylvania Business Corporation Law, an abstention or withholding of authority to vote 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, the "say-on-pay" proposal or the amendment of the Employee Stock Purchase Plan 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.

The Board of Directors, based upon the recommendation of the Nominating and Corporate Governance Committee, has nominated Mark S. Gorder and Michael J. McKenna for election as directors at the Annual Meeting to serve until the 2019 annual meeting of shareholders and until their successor has been duly elected and qualified. Each nominee is a current director of the Corporation and previously has been elected as a director by the Corporation's shareholders. Mr. Gorder and Mr. McKenna each have indicated their willingness to continue serving as a director. The Board of Directors knows of no reason why the nominees would be unable to serve as a director. If any nominee is unable to serve for any reason, then the proxies will be voted for the election of such substitute nominee(s) 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 each of Mr. Gorder and Mr. McKenna 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 nominees and the persons whose terms as directors will continue after the Annual Meeting.

Name, Age (as of February 23, 2016) and Occupation	Director Since	Term Expires
Nominees for Election		
Mark S. Gorder (69) 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. 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.	1996	2016
Michael J. McKenna (81) 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 & 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 & Seal Company, Inc. As the retired Vice Chairman, director and former executive of Crown, Cork & 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.	1998	2016

Name, Age (as of February 23, 2016) and Occupation	Director Since	Term Expires
Continuing Directors		
Robert N. Masucci (78) 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. 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.	2002	2017
Nicholas A. Giordano (73) 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 and Kalmar Pooled Investment Trust, mutual funds, and as a director of Independence Blue Cross of Philadelphia, a health insurance company, and The RBB Fund, Inc., a mutual funds company. Mr. Giordano also served as a director of Commerce Bancorp, Inc. in 2007-2008. 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.	2000	2018
Philip N. Seamon (68) became a director in September 2006. Currently, Mr. Seamon is President of Philip N. Seamon, Inc., a consulting firm specializing in operational and financial business restructuring services. Until his retirement in August 2006, Mr. Seamon was a senior managing director in the corporate finance practice of FTI Consulting, Inc., a provider of a wide range of business and financial advisory and consulting services. Previously, Mr. Seamon was a partner and the service line leader of PricewaterhouseCoopers' Business Recovery Services practice in their Philadelphia office. FTI Consulting acquired this practice in September 2002. Prior to joining PricewaterhouseCoopers, Mr. Seamon held management and partnership positions in both commercial and investment banking organizations. Mr. Seamon provides IntriCon with expertise in financial and accounting matters as well as experience in mergers and acquisitions and business restructuring.	2006	2018

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, McKenna and Seamon.

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 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 2015. During 2015, 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 five of the directors attended the 2015 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. 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.

Director Compensation for 2015

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 has 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 2015 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 Seamon was granted an option to purchase 10,000 shares of common stock, in each case at an exercise price of $7.96 per share, the closing price of our common stock on the date of the grant. Assuming that they are re-elected or continue as a director, as the case may be, at the 2016 Annual Meeting, the Chairman of the Board will receive an option to purchase 12,000 shares of common stock, and each of the other non-employee directors will

receive an option to purchase 10,000 shares of common stock, in each case at an exercise price equal to the closing price of our common stock on the date of the 2016 Annual Meeting. 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.

The following table sets forth information concerning the compensation earned during the year ended December 31, 2015 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	55,000	—	79,600	—	134,600
Robert N. Masucci	50,000	—	79,600	—	129,600
Michael J. McKenna	70,000	—	95,520	—	165,520
Philip N. Seamon	50,000	—	79,600	—	129,600

(1) We have not granted any stock awards to our directors. Under the Non-Employee Director and Executive Officer 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.

(2) The amounts included in the "Option Awards" column represent the aggregate grant date fair value of stock awards granted during 2015 computed in accordance with Financial Accounting Standards Board's Accounting Standards Codification Topic 718 ("FASB Codification Topic 718"). For a discussion of valuation assumptions, see Note 13 to our consolidated financial statements included in our annual report on Form 10-K for the fiscal year ended December 31, 2015. The amounts shown include the impact of option forfeitures during 2015. No options were forfeited under all plans during 2015. As of December 31, 2015, the number of stock option awards held by our non-employee directors was: Mr. Giordano – 90,000; Mr. Masucci – 90,000; Mr. McKenna – 106,000; and Mr. Seamon – 95,000.

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. All 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, McKenna and Seamon. 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. 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 2015.

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. 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 38.

Compensation Committee. The Board of Directors of the Corporation has appointed a standing Compensation Committee currently consisting of Messrs. Masucci (Chairman), Giordano, McKenna and Seamon. The Board of Directors has determined that each member of the Compensation Committee is independent, as defined in applicable Nasdaq corporate governance rules. 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 three times in 2015.

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. 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. Seamon (Chairman), Giordano, Masucci and McKenna. 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 2015.

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. 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.

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 2017 annual meeting of shareholders is November 18, 2016. 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, 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 CERTAIN OFFICERS

The following table sets forth certain information as of February 23, 2016, 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 and (iv) all directors and executive officers as a group:

Name	Number of Shares Beneficially Owned[1] [2]	Percent of Class
Kevin M. Cavanaugh [3]. .... Corrib Master Fund, Ltd. Corrib Capital Management, L.P. 527 Marquette Avenue South, Suite #1000 Minneapolis, MN 55402	477,313	8.0%
Mark S. Gorder [4].. Director, President and Chief Executive Officer	618,451	10.1%
Michael J. McKenna .... Chairman of the Board of Directors	204,582	3.4%
Nicholas A. Giordano.................................... Director	137,670	2.3%
Robert N. Masucci .... Director	188,345	3.1%
Philip N. Seamon .... Director	88,334	1.5%
Michael P. Geraci.. Vice President, Sales and Marketing	116,094	1.9%
Dennis L. Gonsior .... Vice President, Global Operations	136,042	2.2%
Greg Gruenhagen .... Vice President, Quality and Regulatory Affairs	83,080	1.4%
Scott Longval .... Chief Financial Officer, Secretary, and Treasurer	128,959	2.1%
All Directors and Executive Officers as a Group (9 persons)..	1,701,557	25.0%

(1) 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 23, 2016 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 23, 2016 through the exercise of stock options:

Name	Number of Shares Subject to Options
Mark S. Gorder	150,001
Michael J. McKenna	86,000
Nicholas A. Giordano	73,334
Robert N. Masucci	73,334
Philip N. Seamon	78,334
Michael P. Geraci	94,000
Dennis L. Gonsior	94,000
Greg Gruenhagen	76,500
Scott Longval	109,000
All Directors and Executive Officers as a Group	834,503

(3) Based upon Schedules 13G/A filed with the SEC on February 16, 2016. According to the Schedules 13G/A, Mr. Cavanaugh has sole beneficial ownership with respect to 42,304 shares and Mr. Cavanaugh and the two entities share beneficial ownership with respect to the balance of 435,009 shares.

(4) Includes 150,001 shares which Mr. Gorder has the right to acquire within 60 days of February 23, 2016 through the exercise of stock options. Also includes 5,000 shares of common stock owned by his spouse and 14,000 shares of common stock owned by his daughters. Mr. Gorder has pledged 146,000 shares of common stock and his spouse has pledged 5,000 shares of common stock as security for a loan. Mr. Gorder's business address is 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 options 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 2015, 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.

Processes and Procedures for the Determination of Executive Officer and Director Compensation

Scope of Authority of the Compensation Committee. The scope of the Compensation Committee's authority and responsibilities is set forth in its charter, a copy of which is available on our website at www.intricon.com. The Compensation Committee's authority includes the authority to:

- determine the following with respect to our executive officers: (i) the annual base salary level, (ii) the annual incentive opportunity level, (iii) the long-term incentive opportunity level, (iv) employment agreements, severance agreements, change in control agreements/provisions and other compensatory arrangements, in each case as, when and if appropriate, and (v) any special or supplemental benefits, in each case subject to the terms of any existing applicable employment agreement terms; and

- determine the compensation payable to directors and members of committees of the board, including the Chairman of the Board and the Chairman of each committee, other than directors who are our salaried employees.

Delegation of Authority. As provided under the Compensation Committee's charter, the Compensation Committee may delegate its authority to special subcommittees of the Compensation Committee as the Compensation Committee deems appropriate, consistent with applicable law and Nasdaq listing standards. Additionally, the 2015 Equity Incentive Plan permits the Compensation Committee, subject to criteria, limitations and instructions as the Compensation Committee determines, to delegate to an appropriate officer of the Corporation the authority to determine the individual participants under that Plan and amount and nature of the award to be issued to such participants; provided, that no

awards may be made pursuant to such delegation to a participant who is subject to Section 16(b) of the Securities Exchange Act of 1934, as amended. To date, the Compensation Committee has not delegated its responsibilities other than delegating from time to time to the Chief Executive Officer and Chief Financial Officer the authority to grant a limited number of stock options under the 2015 Equity Incentive Plan to non-executive employees.

Role of Management in Determining or Recommending Executive Compensation. Traditionally, the Compensation Committee reviews our executive compensation program in December and/or February of each year, although decisions in connection with new hires and promotions are made on an as-needed basis. Mr. Gorder, our President and Chief Executive Officer, makes recommendations concerning the amount of compensation to be awarded to our executive officers, including himself, but does not participate in the Compensation Committee's deliberations or decisions. The Compensation Committee reviews the recommendations together with a "tally sheet" showing all items of executive compensation. After a presentation by Mr. Gorder, the Committee meets in executive session to discuss and consider the recommendations and makes a final determination.

Role of Compensation Consultants in Determining or Recommending Executive Compensation. Under its charter, the Compensation Committee has authority to retain, at the Corporation's expense, such counsel, consultants, experts and other professionals as it deems necessary. In 2015, the Corporation engaged Verisight Compensation Consulting Group to conduct an assessment of whether the compensation of our executive officers was competitive based on published survey date and a peer group analysis. Generally, the Verisight analysis showed that the compensation of our executive officers was less than competitive when compared to published survey data and peer groups.

Say-on-Pay Vote

At the 2015 annual meeting, we held a shareholder advisory vote on the compensation of our named executive officers, commonly referred to as a say-on-pay vote. Our shareholders approved the compensation of our named executive officers at the 2015 annual meeting, with an overwhelming majority of the votes entitled to be cast voting in favor of our say-on-pay resolution. As we evaluated our compensation practices for 2016, we were aware of the strong support our shareholders expressed for our compensation philosophy. As a result, following our annual review of our executive compensation philosophy, the Compensation Committee decided to retain our general approach to executive compensation. We believe our executive compensation program for 2016 advances our goals of attracting and retaining talented and dedicated executive officers and aligning a significant portion of their compensation with our business objectives and performance and the interests of our shareholders.

Determination of Executive Compensation

Base Salary. Typically, the Compensation Committee reviews and adjusts base salaries on an annual basis.

In December 2015, the Compensation Committee increased the 2016 base salary of each of our executive officers from 3% to 7%, which the Committee believed consistent with inflation and overall market trends. The base salaries of Mr. Geraci, Mr. Gonsior and Mr. Gorder were increased 3%, with slightly larger increases awarded to Mr. Longval (7%) and to Mr. Gruenhagen (5%) to more closely position them to their respective peer group salary mid-points.

The following table shows the base salaries of our current executive officers as in effect at January 1, 2016:

Name and Principal Position	2016 Annual Base Salary
Mark S. Gorder .... President and Chief Executive Officer	$418,000
Scott Longval .... Chief Financial Officer and Treasurer	$249,000
Michael P. Geraci.................................. Vice President, Sales and Marketing	$245,200
Dennis L. Gonsior .... Vice President, Global Operations	$229,500
Greg Gruenhagen .... Vice President, Quality and Regulatory Affairs	$210,000

Annual Cash Incentive Compensation. In March 2012, the Compensation Committee adopted the Annual Incentive Plan for Executives and Key Employees, referred to as the Annual Incentive Plan. The targets for the Annual Incentive Plan are adopted each by the Compensation Committee.

No cash bonuses were paid under the Annual Incentive Plan for 2013 because the plan target was not reached.

In March 2014, the Compensation Committee established the targets and bonus amounts for 2014 under the Annual Incentive Plan. In February 2015, the Compensation Committee determined that the target for 2014 had been achieved at the 84% level and approved a total payout under the 2014 Annual Incentive Plan of $357,687, of which a total of $113,127 was paid to the Named Executive Officers. For more information, see "Summary Compensation Table."

In February 2015, the Compensation Committee established the targets and bonus amounts for 2015 under the Annual Incentive Plan. In February 2016, the Compensation Committee determined that the target for 2015 had been achieved at the 64% level and approved a total payout under the 2015 Annual Incentive Plan of $255,000, of which a total of $77,405 was paid to the Named Executive Officers. For more information, see "Summary Compensation Table

In February 2016, the Compensation Committee established the targets and bonus amounts for 2016 under the Annual Incentive Plan. For more information, see "Annual Incentive Plan."

Long-Term Incentive Compensation in the Form of Stock Option Awards. The Compensation Committee generally makes awards on an annual basis but also makes awards in connection with new hires and promotions.

In January 2015, the Compensation Committee awarded stock options to the Corporation's executive officers under the 2006 Equity Incentive Plan to purchase shares of common stock at an exercise price of $6.87 per share. Mr. Gorder was awarded options to purchase 20,000 shares of common stock and each of the other Named Executive Officers was awarded options to purchase 12,000 shares of common stock.

In January 2016, the Compensation Committee awarded stock options to the Corporation's executive officers under the 2015 Equity Incentive Plan to purchase shares of common stock at an exercise price of $7.58 per share. Mr. Gorder was awarded options to purchase 20,000 shares of common stock and each of the other Named Executive Officers was awarded options to purchase 12,000 shares of common stock.

Employment Agreements and Change in Control Arrangements

We have entered into employment agreements with Mark S. Gorder, our President and Chief Executive Officer, and the other Named Executive Officers.

The employment agreement with Mr. Gorder was based on his prior employment agreement and incorporated the provisions of the change in control agreement that was then in effect. The employment agreements with the other executive officers also contain a similar change in control provision. Among other things, each employment agreement provides for a fixed employment term, subject to annual renewals, the executive's base salary and the executive's right to participate in our bonus plans, equity plans and other employee benefits. In addition, in the event that (i) there occurs a "change in control" (as defined in the agreements) or sale of our assets accounting for 90% of more of our sales and (ii) the executive's employment is involuntarily terminated within one year afterwards, the executive will be entitled to payment of his base salary for one year (two years for Mr. Gorder) in a lump sum and continuation of his medical benefits for a period of one year.

The change in control provisions that we use contain a "double trigger" requirement, meaning that for an executive to receive a payment under the change of control provision, there must be both a change of control, as defined in the applicable agreement, and an involuntary termination of the executive's employment. The double trigger requirement was chosen to prevent us from having to pay substantial payments in connection with a change in control where an executive had not suffered any adverse employment consequences. However, all stock options will vest and become immediately exercisable upon a change of control, regardless of whether the executive is involuntarily terminated.

We believe that employment agreements and change in control protections are important to attract and retain talented executive officers and to protect our executive officers from a termination or significant change in responsibilities arising after a change in control. For more information, see "—Employment Agreements" and "—Potential Payments Upon Termination of Employment or Change in Control."

Accounting and Tax Considerations

Under our prior stock options plans, the Compensation Committee was limited to issuing stock options. The Compensation Committee considers making awards using the other types of awards permitted under the 2015 Equity Incentive Plan in light of FASB ASC Topic 718 - Stock Compensation. This accounting standard requires us to record as compensation expense the grant date fair value of a stock option over the life of the option. The Compensation Committee considers the compensation expense of option and other equity grants when making future awards; however, given that, traditionally, the Compensation Committee has not made large grants of option awards to our executive officers and employees, we do not expect that the compensation expense associated with option grants will have a material adverse effect on our reported earnings.

Generally, Section 162(m) of the Internal Revenue Code of 1986, referred to as the "Internal Revenue Code," and the Internal Revenue Service, referred to as the "IRS," regulations adopted under that section, which are referred to collectively as "Section 162(m)," deny a deduction to any publicly held corporation, such as the Corporation, for certain compensation exceeding $1,000,000 paid during each

calendar year to each of the chief executive officer and the three other highest paid executive officers whose compensation must be reported to shareholders in the proxy statement. Section 162(m) does not apply to qualified performance-based compensation. Our policy is to maximize the tax deductibility of compensation paid to our most highly compensated executives under Section 162(m). For example, awards under our 2015 Equity Incentive Plan are intended to satisfy certain of the requirements for an exemption for "qualified performance-based compensation" under Section 162(m). We do not believe that Section 162(m) will have a material adverse effect on us in 2015.

Summary Compensation Table

The following table summarizes compensation earned during 2015, 2014 and 2013 by our chief executive officer, chief financial officer and each of our executive officers. We refer to these individuals throughout this proxy statement as the "Named Executive Officers."

Name and Principal Position	Year	Salary ($)	Stock Awards (1) ($)	Option Awards (2) ($)	Non-Equity Incentive Plan Compensation (3) ($)	All Other Compensation (4) ($)	Total ($)
Mark S. Gorder, ...	2015	405,820	—	137,400	19,277	29,212	591,709
President and Chief Executive	2014	394,000	7,000	48,125	31,000	26,758	506,883
Officer (principal executive officer)	2013	386,250	—	101,250	—	23,592	511,092
Scott Longval, ...	2015	232,740	—	82,440	15,129	1,234	331,543
Chief Financial Officer and	2014	215,500	—	28,875	20,768	1,234	266,377
Treasurer (principal financial officer)	2013	203,300	—	60,750	—	1,211	265,261
Michael P. Geraci,............................	2015	238,033	—	82,440	15,474	4,176	340,123
Vice President, Sales and Marketing	2014	231,100	—	28,875	22,271	4,176	286,422
	2013	226,600	—	60,750	—	4,405	290,965
Dennis L. Gonsior, ...	2015	222,789	—	82,440	14,482	3,612	323,323
Vice President, Global Operations	2014	216,300	—	28,875	20,845	3,612	269,632
	2013	206,000	—	60,750	—	3,615	270,365
Greg Gruenhagen, ...	2015	200,658	—	82,440	13,043	5,602	301,743
Vice President, Quality and	2014	189,300	—	28,875	18,243	5,602	242,020
Regulatory Affairs	2013	182,000	—	60,750	—	5,483	248,233

(1) Under the Non-Employee Director and Executive Officer Stock Purchase Program, 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.

(2) The amounts included in the "Option Awards" column represent the aggregate grant date fair value of option awards granted during the year indicated, computed in accordance with FASB Codification Topic 718. For a discussion of valuation assumptions, see Note 13 to our consolidated financial statements included in our annual report on Form 10-K for the fiscal year ended December 31, 2015. The amounts shown include the impact of option forfeitures during 2015. No options were forfeited under all plans during 2015.

(3) Represents amounts payable under the Annual Incentive Plan for services rendered in 2015 and 2014. No amounts were payable under the Annual Incentive Plan for 2013 because the plan target was not reached.

(4) Consists of payment of premiums for group term life insurance maintained for such executives and disability policies maintained for certain executives. In the case of Mr. Gorder, such amount also includes payment of country club membership dues and payment for his automobile lease and related expenses.

Employment Agreements

We have entered into employment agreements with Mark S. Gorder, our President and Chief Executive Officer, and our executive officers.

The employment agreements contain the following material terms:

- a current employment term expiring on April 30, 2017, subject to automatic renewal for additional one year terms unless either party gives notice of non-renewal at least sixty (60) days prior to the end of the then current employment term; and
- a base salary as determined by the Board of Directors or the Compensation Committee, but in no event less than their base salaries in effect at the time of the agreement.

For a discussion of the provisions relating to the termination of the employment of the executive officer under certain circumstances, see "—Potential Payments Upon Termination of Employment or Change in Control."

Annual Incentive Plan

In March 2012, the Compensation Committee adopted the Annual Incentive Plan for Executives and Key Employees, referred to as the Annual Incentive Plan. Under the Annual Incentive Plan, our executive officers and key employees are eligible to receive incentive compensation based on (i) the Corporation achieving a designated level of financial results, referred to as the "plan target," for a designated calendar year, referred to as a "plan year," and (ii) if applicable, achievement of designated strategic objectives. The plan targets and strategic objectives, if any, will be determined each year by the Compensation Committee. A participant will receive incentive compensation only if the minimum plan target is achieved. No cash bonuses were paid under the Annual Incentive Plan for 2013 because the plan target was not reached. In February 2015, the Compensation Committee determined that the target under the Annual Incentive Plan for 2014 had been achieved at the 84% level and approved a total payout under the 2014 Annual Incentive Plan of $357,687, of which a total of $113,127 was paid to the Named Executive Officers. In February 2016, the Compensation Committee determined that the target for 2015 had been achieved at the 64% level and approved a total payout under the 2015 Annual Incentive Plan of $255,000, of which a total of $77,405 was paid to the Named Executive Officers.

In February 2016, the Compensation Committee established the targets and bonus amounts for 2016 under the Annual Incentive Plan. For 2016, based on the Corporation achieving a targeted range of net income, Mr. Gorder will be eligible to receive incentive compensation ranging from 5.0% to 40.0% of his plan year base salary and each of the other Named Executive Officers will be eligible to receive incentive compensation ranging from 5.0% to 27.5% of their plan year base salary. Other employees are eligible to receive from 2.5% to 15.0% of their plan year base salaries depending upon their tier level. Between these points, the amount of the incentive compensation available will increase or decrease proportionately based upon the Corporation achieving more or less than the midpoint of the target range; however, no incentive compensation will be paid if the Corporation achieves less than the low end of the target range and the maximum incentive compensation payable is capped at the Corporation achieving the high end of the target range.

The plan target is based on 2016 net income; provided, that the plan target must be achieved after accruing any incentive compensation payable under the Annual Incentive Plan. In addition, the Named Executive Officers will not be entitled to incentive compensation at the minimum plan target level applicable to other participants. The Committee has the discretion to determine whether (and at what level) the plan target and strategic objectives have been satisfied and to adjust the plan target and strategic objectives as circumstances warrant. The Committee has the authority to weight the importance of the strategic objectives and to determine the amount of the awards if less than all of the strategic objectives are achieved.

The following table shows the potential amounts payable to our Named Executive Officers under the Annual Incentive Plan at different levels of the 2016 plan target.

	Potential incentive compensation payable under the Annual Incentive Plan at the following levels of the 2016 Plan Target:		
	Minimum[(1)]	**Target**	**Maximum**
Name	**Potential Incentive Compensation**		
Mark S. Gorder	$ 20,900	$ 41,800	$ 167,200
Scott Longval	12,450	24,900	68,475
Michael P. Geraci	12,260	24,520	67,430
Dennis L. Gonsior	11,475	22,950	63,113
Greg Gruenhagen	10,500	21,000	57,750

[(1)] Represents the minimum target level at which the Named Executive Officers will be eligible for an award.

Equity Plans

The following descriptions summarize our equity plans pursuant to which eligible employees, including the Named Executive Officers, and directors receive equity based awards. Our 2015 Equity Incentive Plan replaced our 2006 Equity Incentive Plan (described below). No additional grants may be made under the 2006 Equity Incentive Plan. Outstanding grants under the 2006 Equity Incentive Plan continue to be governed by their terms and the terms of the 2006 Equity Incentive Plan.

In February 2014, the Board approved amendments to the 2006 Equity Incentive Plan and prior plans to permit “cashless” exercises for all stock options issued under such plans, regardless of whether the form of option agreement or award contains such a provision.

In February 2015, the Board approved amendments to the 2006 Equity Incentive Plan and prior plans to provide that outstanding options under such plans will vest and become fully exercisable, and will be exercisable for the balance of the original term of the option, in the event of the termination of the participant from the Corporation due to death, disability or retirement, regardless of any contrary provision in the form of option agreement.

2015 Equity Incentive Plan

Shareholders approved the 2015 Equity Incentive Plan in April 2015. The 2015 Equity Incentive Plan permits grants of incentive stock options, options not intended to qualify as incentive stock options, stock appreciation rights, restricted and unrestricted stock awards, restricted stock units, deferred stock units, performance awards, supplemental cash awards and combinations of the foregoing.

The 2015 Equity Incentive Plan is administered by the Compensation Committee of the Board of Directors. The Compensation Committee determines the type of awards to be granted under the 2015 Equity Incentive Plan; selects award recipients and determines the extent of their participation; determines the method or formula for establishing the fair market value of the shares of common stock for various purposes under the 2015 Equity Incentive Plan; and establishes all other terms, conditions, restrictions and limitations applicable to awards and the shares of common stock issued pursuant to awards, including, but not limited to, those relating to a participant's retirement, death, disability, leave of absence or termination of employment. The Compensation Committee may accelerate or defer the vesting or payment of awards, cancel or modify outstanding awards, waive any conditions or restrictions imposed with respect to awards or the shares of common stock issued pursuant to awards and make any and all other interpretations and determinations which it deems necessary with respect to the administration of the 2015 Equity Incentive Plan, other than a reduction of the exercise price of an option after the grant date and subject to the provisions of Section 162(m) of the Internal Revenue Code with respect to "covered employees," as defined in Section 162(m) of the Internal Revenue Code, except that the Committee may not, without the consent of the holder of an award or unless specifically authorized by the terms of the plan or an award, take any action with respect to such award if such action would adversely affect the rights of such holder.

The maximum total number of shares for which awards may be granted under the 2015 Equity Incentive Plan is 500,214 shares of common stock, subject to appropriate adjustment in a manner determined by the Board of Directors to reflect changes in the Corporation's capitalization; however, such authorized share reserve will be increased from time to time by a number of shares equal to the number of shares of common stock that are issuable pursuant to grants outstanding under the 2006 Equity Incentive Plan and certain other plans as of April 24, 2015 that, but for the termination and/or suspension of the 2006 Equity Incentive Plan and such other plans, would otherwise have reverted to the share reserve of the 2006 Equity Incentive Plan pursuant to the terms thereof as a result of the expiration, termination, cancellation or forfeiture of such options.

As of February 23, 2016:

- options to purchase 170,000 shares of common stock were outstanding under the 2015 Equity Incentive Plan;
- 362,791 shares of common stock were available for new awards under the 2015 Equity Incentive Plan which includes shares surrendered for cashless exercises under the 2006 Equity Inventive Plan; and
- options to purchase 1,281,197 shares of common stock were outstanding under the 2006 Equity Incentive Plan, which shares will become available for new awards under the 2015 Equity Incentive Plan in the event of the cancellation, expiration, forfeiture or repurchase of such awards.

The maximum number of shares of common stock for which stock options may be granted to any person in any fiscal year and the maximum number shares of common stock subject to SARs granted to any person in any fiscal year each is 50,000. The maximum number of shares of common stock subject to other Awards granted to any person in any fiscal year is 50,000 shares.

2006 Equity Incentive Plan

Shareholders approved the 2006 Equity Incentive Plan in April 2006 and, in April 2010 and May 2012, approved amendments to the 2006 Equity Incentive Plan to, among other things, increase the

number of shares of common stock authorized for issuance under that plan. The 2006 Equity Incentive Plan was replaced by the 2015 Equity Incentive Plan in April 2015 and no new awards will be made under the 2006 Equity Incentive Plan. The 2006 Equity Incentive Plan permitted the same types of equity awards as are permitted under the 2015 Equity Incentive Plan. Awards outstanding under the 2006 Equity Incentive Plan will continue to be administered by the Compensation Committee of the Board of Directors and governed by the terms of such Plan and the awards. As noted above, as of February 23, 2016, options to purchase 1,281,197 shares of common stock were outstanding under the 2006 Equity Incentive Plan, which shares will become available for new awards under the 2015 Equity Incentive Plan in the event of the cancellation, expiration, forfeiture or repurchase of such awards.

Outstanding Equity Awards at Fiscal Year-End

The following table summarizes stock option awards held by our Named Executive Officers as of December 31, 2015. We do not have any outstanding stock awards.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Mark S. Gorder,..	15,000		5.35	12/11/2016
President and Chief Executive Officer	25,000		14.70	12/10/2017
(principal executive officer)	20,000		4.69	12/09/2018
	25,000		4.53	4/27/2021
	25,000		6.26	1/2/2022
	16,667	8,333(1)	4.05	1/5/2023
	4,167	8,333(2)	3.85	1/2/2024
	-	20,000(3)	6.87	1/1/2025
Scott Longval, ...	25,000		5.30	7/18/2016
Chief Financial Officer and Treasurer	5,000		5.35	12/11/2016
(principal financial officer)	15,000		14.70	12/10/2017
	10,000		4.69	12/09/2018
	15,000		4.53	4/27/2021
	15,000		6.26	1/2/2022
	10,000	5,000(1)	4.05	1/5/2023
	2,500	5,000(2)	3.85	1/2/2024
	-	12,000(3)	6.87	1/1/2025
Michael P. Geraci,.......................................	10,000		5.35	12/11/2016
Vice President, Sales and Marketing	20,000		14.70	12/10/2017
	10,000		4.69	12/09/2018
	15,000		4.53	4/27/2021
	15,000		6.26	1/2/2022
	10,000	5,000(1)	4.05	1/5/2023
	2,500	5,000(2)	3.85	1/2/2024
	-	12,000(3)	6.87	1/1/2025
Dennis L. Gonsior, ...	10,000		5.35	12/11/2016
Vice President, Global Operations	20,000		14.70	12/10/2017
	10,000		4.69	12/09/2018
	15,000		4.53	4/27/2021
	15,000		6.26	1/2/2022
	10,000	5,000(1)	4.05	1/5/2023
	2,500	5,000(2)	3.85	1/2/2024
	-	12,000(3)	6.87	1/1/2025
Greg Gruenhagen, ...	2,500		5.35	12/11/2016
Vice President, Quality and Regulatory	10,000		14.70	12/10/2017
Affairs	10,000		4.69	12/09,2018
	15,000		4.53	4/27/2021
	15,000		6.26	1/2/2022
	10,000	5,000(1)	4.05	1/5/2023
	2,500	5,000(2)	3.85	1/2/2024
	-_	12,000(3)	6.87	1/1/2025

(1) The unvested balance of this option vests on January 5, 2016.
(2) The unvested balance of this option vests in two equal installments on each of January 2, 2016 and 2017.
(3) The unvested balance of this option vests in three equal installments on each of January 1, 2016, 2017 and 2018.

Potential Payments Upon Termination of Employment or Change in Control

Our employment agreements with our Named Executive Officers provide the following material terms in the event of the termination of the employment of the executive under certain circumstances:

- in the event of the termination of the executive's employment without cause, we are required to pay the executive's base salary and medical benefits for a severance period equal to one year (two years in the case of Mr. Gorder with respect to salary); provided that for any executive that has less than 12 years of continuous service with us, the severance period will be equal to 30 days for each year of continuous full-time employment, but in no event less than 90 days or more than one year. We are required to pay the present value of the base salary in a lump sum, using a discount rate of 6%;
- in the event that (i) there occurs a change in control or sale of our assets accounting for 90% of more of our sales and (ii) the executive's employment is involuntarily terminated within one year afterwards, we are required to pay the executive's base salary for one year (two years for Mr. Gorder) in a lump sum and to continue medical benefits for a period of one year;
- in the sole and absolute discretion of the Board of Directors, in the event that the executive is terminated without cause or there occurs a change of control followed by the executive's involuntary termination, we may elect to pay executive a prorated amount of the bonus that executive would have been entitled to receive for the year in which he was terminated;
- the immediate vesting of all stock options and equity awards held by the executive in the event of a change in control or in the event that the executive's employment is terminated (i) by us for any reason other than cause or (ii) by the executive under circumstances that constitute an involuntary termination; and
- a one year non-competition covenant (or, if longer, for so long as the period with respect to which executive is entitled to receive, or has received, payment of severance following a termination by us without cause or change of control) and covenants concerning confidentiality and inventions.

In the event that we give a notice of non-renewal of the term of the agreement to the executive and, within 12 months after the date of the non-renewal notice, the executive's employment is terminated by us for any reason other than cause or the death or disability of executive, then the executive will be entitled to the severance benefits described above with respect to a termination without cause except that the severance period shall be reduced by the number of days between the date of the non-renewal notice and the termination of executive's employment.

As defined in the employment agreements:

"Asset Sale" means the sale of our assets (including the stock or assets of our subsidiaries) to which 90% or more of our consolidated sales volume is attributable.

"Cause" means the following, provided that, in the case of circumstances described in the fourth through sixth clauses below, we must have first given written notice to executive, and executive must have failed to remedy the circumstances as determined in the sole discretion of the Board of Directors within 30 days after such notice:

- fraud or dishonesty in connection with executive's employment or theft, misappropriation or embezzlement of our funds;
- conviction of any felony, crime involving fraud or knowing misrepresentation, or of any other crime (whether or not such felony or crime is connected with his employment) the

effect of which in the judgment of the Board of Directors is likely to adversely affect us or our affiliates;

- material breach of executive's obligations under the employment agreement;
- repeated and consistent failure of executive to be present at work during normal business hours unless the absence is because of a disability as defined in the agreement;
- willful violation of any express direction or requirement established by the Board of Directors, as determined by a majority of Board of Directors;
- insubordination, gross incompetence or misconduct in the performance of, or gross neglect of, executive's duties under the employment agreement, as determined by a majority of the Board of Directors; or
- use of alcohol or other drugs which interfere with the performance by executive of his duties, or use of any illegal drugs or narcotics.

"Change of control" of means an "asset sale" or a "change in majority stock ownership."

"Change in majority stock ownership" means the acquisition by any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, referred to as the "Exchange Act"), including any affiliate or associate as defined in Rule 12b-2 under the Exchange Act of such person, or any group of persons acting in concert, other than us, any trustee or other fiduciary holding securities under an employee benefit plan of ours, or any corporation or other entity owned, directly or indirectly, by our shareholders in substantially the same proportion as their ownership of capital stock of us, of "beneficial ownership" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 50% or more of the combined voting power of our then outstanding securities.

"Involuntarily terminated" means:

- any termination of the employment of executive by us other than for cause, death or disability; or
- any termination of employment of the executive by executive following:
  - a material diminution in the executive's base compensation;
  - a material diminution in the executive's authority, duties, or responsibilities;
  - a material diminution in the authority, duties, or responsibilities of the supervisor to whom the executive is required to report, including a requirement that an executive report to a corporate officer or employee instead of reporting directly to the board of directors;
  - a material diminution in the budget over which the executive retains authority;
  - a material change in the geographic location at which the executive must perform the services; or
  - any other action or inaction that constitutes a material breach by us under the agreement.

Provided, however, that with respect to any termination by executive pursuant to the foregoing, executive shall have first provided notice to us of the existence of the condition proposed to be relied upon within 90 days of the initial existence of the condition, and shall have given us a period of 30 days during which we may remedy the condition and we shall have failed to do so during such period.

The change in control provisions that we use contain a "double trigger" requirement, meaning that for an executive to receive a payment under the change of control provision, there must be both a

change of control, as defined in the applicable agreement, and an involuntary termination of the executive's employment. The double trigger requirement was chosen to prevent us from having to pay substantial payments in connection with a change in control where an executive had not suffered any adverse employment consequences. However, all stock options will vest and become immediately exercisable upon a change of control, regardless of whether the executive is involuntarily terminated.

Disability Benefits for Certain Named Executive Officers. We provide all of our full-time salaried employees with short-term disability benefits for six months. We also maintain a disability insurance policy on behalf of certain members of our senior management, including our Named Executive Officers, which is in addition to the disability benefits that we maintain for our salaried employees. In the event that any of these executives became disabled, as provided in their respective policies, was unable to return to the performance of their duties after six months and was terminated as an employee effective as of December 31, 2015, they would be paid monthly benefits as follows: Mr. Gorder - $8,370 per month; Mr. Geraci - $6,450 per month; Mr. Gonsior - $5,860 per month; Mr. Gruenhagen - $6,935 per month; and Mr. Longval $3,250 per month.

Equity Plans. Our Named Executive Officers hold unvested stock options under our 2006 Equity Incentive Plan and our 2015 Equity Incentive Plan.

Under our 2006 Equity Incentive Plan and 2015 Equity Incentive Plan, all unvested options will automatically accelerate and become vested upon the death, disability, retirement of the holder or upon a change of control of us, as defined in that Plan.

Under the 2006 Equity Incentive Plan and 2015 Equity Incentive Plan, options held by an employee whose employment is terminated for cause, as defined in those plans, will terminate immediately. In addition, under the 2006 Equity Incentive Plan and 2015 Equity Incentive Plan, the voluntary resignation of employment by an employee, other than for retirement as defined, will not result in the acceleration of unvested options.

Certain Relationships and Related Party Transactions

Mr. Gorder, our president, chief executive officer and a director, is a general partner (with a one-third interest) of Arden Partners I, L.L.P., a Minnesota limited liability partnership, referred to as Arden, that owns and leases to us property under a lease entered into in 1991, which we use as a manufacturing facility. In October 2013, the lease was renewed with a term expiring on October 31, 2016. Under the lease, we pay Arden a base monthly rent of approximately $31,007 plus real estate taxes and other charges. In 2015 and 2014, we paid Arden approximately $487,000 each year for rent, real estate taxes and other charges. Mr. Gorder's interest in such payments was approximately $163,000 in each of 2015 and 2014.

We use the law firm of Blank Rome LLP for legal services. A partner of that firm is the son-in-law of the Chairman of our Board of Directors, Mr. McKenna; however, the legal services are provided by other attorneys at that firm and not by the son-in-law. In 2015 and 2014, we paid that firm approximately $203,000 and $156,000, respectively, for legal services and costs. The interest of the son-in-law in such amounts is not determinable.

The foregoing transactions were approved by the disinterested members of the Audit Committee pursuant to its written policy applicable to related party transactions.

PROPOSAL 2

ADVISORY VOTE ON EXECUTIVE COMPENSATION

As described in detail under the heading "Executive Compensation" beginning on page 17 of this Proxy Statement, our executive compensation program is designed 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. We believe that our program creates an environment of shared risk between our executive officers and our shareholders by including equity based awards and cash compensation based on financial performance as part of our executive compensation program. We believe that our executive compensation program should focus management's attention on achieving both annual performance targets and profitable growth over a longer time period. The program is designed to reward management for the achievement of both short and long term strategic objectives as established by the Board of Directors. Additional details about our executive compensation programs, including information about executive compensation for the fiscal year ended December 31, 2015, are described under the section entitled "Executive Compensation" which begins on page 17 of this Proxy Statement.

Securities laws require that we provide our shareholders with the opportunity to vote to approve, on a nonbinding, advisory basis, the compensation of our Named Executives Officers as disclosed in this proxy statement at least once every three years, commonly known as a "say-on-pay" proposal. In accordance with the shareholders' advisory vote on the frequency of the say-on-pay vote that was held at the 2013 annual meeting of shareholders, the Board of Directors has determined to hold the say-on-pay vote on executive compensation every year until we hold another advisory vote on the frequency of the say-on-pay vote.

We are asking our shareholders to indicate their support for our Named Executive Officer compensation as described in this Proxy Statement. This proposal gives our shareholders the opportunity to express their views on the compensation of our Named Executive Officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our Named Executive Officers and the philosophy, policies and practices described in this Proxy Statement. Accordingly, the following resolution is submitted for shareholder vote at the Annual Meeting:

"RESOLVED, that the shareholders of IntriCon Corporation hereby APPROVE, on an advisory basis, the compensation paid to its named executive officers, as disclosed in the Proxy Statement for the 2016 annual meeting of shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation tables and the narrative discussion that accompany the compensation tables."

This say-on-pay vote is advisory, and therefore not binding on the Corporation, the Compensation Committee or our Board of Directors. Our Board and our Compensation Committee value the opinion of our shareholders and to the extent there is any significant vote against the compensation of Named Executive Officers as disclosed in this Proxy Statement, we will consider our shareholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns. Proxies submitted without direction pursuant to this solicitation will be voted "for" approval of the compensation of our Named Executives Officers as disclosed in this proxy statement.

The Board of Directors recommends a vote "FOR" the approval of the compensation of our Named Executive Officers as disclosed in this proxy statement.

PROPOSAL 3

AMENDMENT OF EMPLOYEE STOCK PURCHASE PLAN

Description of the Proposal

The Employee Stock Purchase Plan (the "Purchase Plan") was approved by the shareholders in 2007 and authorized the issuance of 100,000 shares of common stock under the Plan. In 2011, the shareholders approved an amendment to the Purchase Plan to increase the number of shares of common stock which may be purchased thereunder by an additional 100,000 shares. As of February 29, 2016, approximately 27,904 Shares of common stock remained available for purchase under the Purchase Plan. If the amendment to the Purchase Plan is not approved by shareholders, the Corporation will exhaust these previously authorized shares in the coming months or years, and thereafter employees will no longer be able to purchase Shares of common stock under the Purchase Plan.

The Corporation is submitting the amendment to the Purchase Plan to shareholders for approval in accordance with the requirements of Section 423(a) of the Internal Revenue Code of 1986, as amended (the "Code").

Description of the Purchase Plan

The material terms of the Purchase Plan are summarized below. A copy of the full text of the Purchase Plan, as proposed to be amended, is attached as Appendix A to this Proxy Statement. This summary of the Purchase Plan is not intended to be a complete description of the Purchase Plan and is qualified in its entirety by the actual text of the Purchase Plan to which reference is made. Capitalized terms used but not defined herein have the meanings set forth in the Purchase Plan.

General

The purpose of the Purchase Plan is to provide employees with an attractive opportunity to purchase shares of our common stock with the belief that participating employees will, as shareholders, be more likely to think and act like owners. In addition, in order to attract and retain quality employees, we must provide a competitive benefits package. The Purchase Plan has been an attractive addition to our existing employee benefits. The Purchase Plan provides eligible employees the opportunity to purchase shares of our common stock at a discount of up to 10% through payroll deductions. We designed the Purchase Plan so that participating employees and the Corporation receive favorable tax treatment.

Number of Shares Subject to the Plan

A maximum of 200,000 Shares of common stock may be sold under the Purchase Plan. The Committee may adjust this number in the event of a capital adjustment affecting our Shares of common stock. As of February 29, 2016, 27,904 shares of common stock remained available for purchase. As of March 8, 2016, the closing price of our common stock was $6.80 per share.

Shares of common stock which may be purchased under the Purchase Plan may be shares acquired in the open market (on an exchange or in negotiated transactions), previously acquired treasury shares, authorized and unissued shares or any combination thereof.

In February 2016, the Board of Directors approved an amendment to the Purchase Plan to increase the number of Shares of common stock which may be purchased under the Purchase Plan by 100,000 shares, subject to shareholder approval. Assuming Proposal 3 is approved by shareholders, a total of 127,904 shares would be available for purchase under the Purchase Plan.

Eligibility

All employees of the Corporation and each of our domestic subsidiaries are eligible to participate in the Purchase Plan once they have been employed by us for twelve months. However, the following persons are not eligible:

- Part-time employees (those whose customary employment is for 20 hours or less a week or not more than five months a year); and
- Any employee who owns, or would own upon exercising any rights under the Purchase Plan or any other option, shares representing 5% or more of the total combined voting power or value of our shares of common stock or the stock of any of our subsidiaries.

An individual must be employed by us on the first day of a subscription period (as described below) in order to participate in the Purchase Plan for that subscription period. As of March 8, 2016, approximately 216 employees were eligible to participate in the Purchase Plan.

Subscription Periods and Participation Election

The subscription periods under the Purchase Plan are the three-month period beginning on the first day of each January, April, July and October. Prior to the beginning of each subscription period, eligible employees may elect to have up to 20% of their cash compensation (excluding bonuses and employee benefit amounts) deducted and paid into the Purchase Plan throughout the subscription period, subject to the annual limitation described below. After the beginning of a subscription period, an employee may not change the rate of his or her payroll deductions for that subscription period, except to reduce the amount of the payroll deduction to zero by terminating his or her participation in the Plan (see "Termination of Participation" below).

Method of Purchase; Purchase Price

Under the Purchase Plan, a separate bookkeeping account is maintained for each participant, which reflects the accumulated payroll deductions made on behalf of the participant from time to time, reduced for any distributions from such account pursuant to the provisions of the Purchase Plan. On the last day of each subscription period, the amount deducted from an employee's pay is automatically applied toward the purchase of our shares of common stock at a purchase price equal to 90% of the fair market value of a share of common stock on that day (generally, the last updated sales price of a share of common stock as reported on Nasdaq). The Committee has the authority to reduce or eliminate the discount prior to the beginning of a subscription period. Only whole shares are purchased for a participating employee. Any amounts remaining in a participant's account after the maximum number of whole shares has been purchased is returned to the participant, without interest, as soon as administratively possible except that amounts which represent less than the purchase price of one whole share of common stock are held, without interest, for use in the next subscription period. Dividends, if any, earned on any shares held in a participant's account are reinvested in shares of our shares of common stock and credited to the participant's account. After the close of each subscription period, information is made available to each participant regarding the activity in such participant's account for such subscription period, including the number of shares of common stock purchased and the applicable purchase price.

Maximum Purchase Levels

Under the Purchase Plan, no employee may purchase more than $25,000 worth of stock in any calendar year (based on the fair market value of our shares of common stock on the first day of the applicable subscription periods), even if that amount is within the 20% deduction limit mentioned above. In addition, no employee may purchase more than 1,250 shares of common stock during any subscription period, subject to adjustment in the event of any capital adjustment affecting our shares of common stock.

Termination of Participation

An employee may voluntarily terminate his or her participation in the Purchase Plan by notifying us in writing at least 15 business days (or such other period designated by the Committee) before the last day of any subscription period.

If an employee voluntarily terminates his or her participation in the Purchase Plan, we will:

- not make further payroll deductions from that employee's compensation;
- use the cash balance of that employee's Purchase Plan account to buy our shares of common stock at the end of the subscription period and pay the employee any cash balance of his or her Purchase Plan account without interest; and
- continue to hold on behalf of that employee any shares of common stock previously purchased in his or her Purchase Plan account or transfer those shares of common stock pursuant to the employee's instructions.

An employee's participation in the Purchase Plan will automatically terminate when his or her employment with us ends or when he or she ceases to be an eligible employee. In either such event, we will:

- not make further payroll deductions from the employee's compensation;
- pay the employee the cash balance of his or her Purchase Plan account without interest; and
- credit, to a book entry account in the participant's name, the number of full shares of common stock purchased under the Purchase Plan and held for his or her benefit, or if the employee so elects, credit those shares to:
  - a brokerage account designated by the participant, or
  - an account with the same entity that acts as our designated agent under the Purchase Plan.

Adjustments

If the Corporation effects any subdivision or consolidation of shares of common stock or other capital readjustment, payment of stock dividend, stock split, combination of shares or recapitalization or other increase or reduction of the number of shares of common stock outstanding without receiving compensation therefor in money, services or property, then, subject to the requirements of Section 423 of the Code, the Committee may make such adjustments as it may deem appropriate, in its discretion to the number of shares of common stock available under the Purchase Plan and the maximum number of shares of common stock that may be purchased by a participant during any subscription period to reflect appropriately such action by the Corporation.

Amendment and Termination

The Corporation, by action of the Board of Directors or the Committee, may amend or terminate the Purchase Plan at any time, except that no amendment may adversely affect the right of any participant with respect to shares of common stock purchased prior to the date the amendment was adopted, and no amendment may be made without shareholder approval to the extent that approval is required to maintain compliance with Section 423 of the Code.

Federal Income Tax Consequences

The following is a brief description of the U.S. federal income tax treatment that will generally apply with respect to purchases under the Purchase Plan by participants who are subject to U.S. income tax. This discussion is based on U.S. federal tax laws and regulations presently in effect, which are subject to change, and the discussion does not purport to be a complete description of the U.S. federal

income tax aspects of the Purchase Plan. Participants may also be subject to foreign, state and/or local taxes in connection with purchases under the Purchase Plan, which could differ significantly from U.S. federal income tax consequences. We suggest that participants consult with their individual tax advisors to determine the applicability of the tax aspects of purchases to their personal circumstances.

The Plan is intended to qualify under Section 423 of the Code. Under this section, a participant will not be required to recognize taxable income at the time shares of common stock are purchased under the Purchase Plan. The participant may, however, become liable for tax upon the disposition of the shares of our shares of common stock acquired, as described below.

In the event that shares of common stock acquired pursuant to the Purchase Plan are not sold or disposed of (including by way of gift) prior to two years after the first day of the subscription period in which they are purchased or one year after the last day of the subscription period, or in the event of an employee's death whenever occurring, the lesser of (a) the excess of the fair market value of the shares of common stock on the date of disposition over the purchase price, or (b) the excess of the fair market value of the shares of common stock on the first day of the subscription period over an amount equal to what the purchase price would have been if it had been computed as of that date, will be treated as ordinary income to the participant. Any further gain on disposition will be treated as long-term capital gain and any loss will be treated as a capital loss. We are not entitled to any tax deduction under this scenario.

In the event a participant sells or disposes of shares acquired pursuant to the Purchase Plan before the expiration of the holding periods described above, the excess of the fair market value of the shares of common stock on the last day of the subscription period, over the purchase price will be treated as ordinary income to the participant. This excess will constitute ordinary income in the year of sale or other disposition even if no gain is realized on the sale or a gratuitous transfer of the shares of common stock is made. The balance of any gain will be treated as a capital gain and will be treated as a long-term capital gain if the shares of common stock have been held for more than one year. If the shares of common stock are sold for less than their fair market value on the last day of the subscription period, the participant may recognize a capital loss equal to the difference between the sales price and the value of the shares of common stock on the last day of the subscription period. We are entitled to a deduction for our taxable year in which such sale or disposition occurs equal to the amount of income includible in the participant's gross income as ordinary income under this scenario.

Accounting Treatment

Under FASB ASC 718 we are required to record as a compensation expense the discount that we provide to our employees from the fair market value of our shares of common stock on the last day of the subscription period. We do not expect that the amount of this compensation expense will have a material effect on our reported earnings.

New Plan Benefits

Participation in the Purchase Plan is voluntary and dependent upon each eligible employee's election to participate, and the benefit of participating will depend on the fair market value of our shares of common stock. Accordingly, future benefits that would be received by our executive officers and eligible employees under the proposed amendment to the Purchase Plan are not determinable at this time. If our shareholders do not approve the amendment to the Purchase Plan, the plan will continue in effect with respect to the shares of common stock currently available for purchase.

The Board of Directors recommends that the shareholders vote for approval of the amendment to the Purchase Plan.

Equity Compensation Plan Information

The following table details information regarding the Corporation's existing equity compensation plans as of December 31, 2015:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders[(1)]	1,324,772	$6.36	518,179
Equity compensation plans not approved by security holders	--	--	--
Total	1,324,772	$6.36	518,179

(1) The amount shown in column (c) includes 490,275 shares issuable under the Corporation's 2015 Equity Incentive Plan and 27,904 shares available for purchase under the Corporation's Employee Stock Purchase Plan. Under the terms of the 2015 Equity Incentive Plan, as outstanding options under the Company's 2006 Equity Incentive Plan expire, the shares of common stock subject to the expired options will become available for issuance under the 2015 Equity Incentive Plan. As of December 31, 2015, 1,282,472 shares of common stock were subject to outstanding options under the 2006 Equity Incentive Plan. Accordingly, if any of these options expire, the shares of common stock subject to expired options also will be available for issuance under the 2015 Equity Incentive Plan.

PROPOSAL 4

RATIFICATION OF APPOINTMENT OF AUDITOR

The Corporation's independent registered public accounting firm for the fiscal year ended December 31, 2015 was the firm of Baker Tilly Virchow Krause, LLP (previously known as Virchow, Krause & Company, LLP), referred to as "Baker Tilly." Baker Tilly was engaged as independent auditor beginning in August 2005. Services provided to the Corporation and its subsidiaries by Baker Tilly in 2015 and 2014 are described below under "Independent Registered Public Accounting Firm." The Audit Committee of the Board of Directors has appointed Baker Tilly to serve as the independent registered public accounting firm for the year ending December 31, 2016. Shareholders will be asked to ratify this appointment. Although action by the shareholders on this matter is not required, the Audit Committee believes it is appropriate to seek shareholder ratification of the appointment of the independent registered public accounting firm to provide a forum for shareholders to express their views with regard to the Audit Committee's appointment. If the shareholders do not ratify the appointment of Baker Tilly, the selection of independent registered public accounting firm may be reconsidered by the Audit Committee; provided however, the Audit Committee retains the right to continue to engage Baker Tilly. Notwithstanding the ratification of Baker Tilly as the Corporation's independent registered public accounting firm for the year ending December 31, 2016, the Audit Committee retains the right to replace Baker Tilly at any time without shareholder approval. A representative of Baker Tilly is expected to be present at the Annual Meeting and to be available to respond to appropriate questions. The representative will have the opportunity to make a statement if he or she so desires.

Independent Registered Public Accounting Fee Information

Fees for professional services provided by Baker Tilly, the Corporation's independent auditor, for the fiscal years ended December 31, 2015 and 2014 in each of the following categories were:

Services Rendered (1)	2015	2014
Audit Fees	$199,633	$212,613
Audit-Related Fees	13,000	12,500
Tax Fees	—	—
All Other Fees	—	—
Total	$212,633	$225,113

(1) The aggregate fees included in Audit Fees are fees billed *for* the fiscal years. The aggregate fees included in each of the other categories are fees billed *in* the fiscal years. Does not include: foreign statutory audit fees of $22,039 and $24,900 for 2015 and 2014 and foreign tax fees of $9,794 in 2015 and $6,132 in 2014, respectively by Baker Tilly TFW, LLC, a firm that is also an independent member firm of Baker Tilly International, for audits of the Corporation's foreign subsidiaries.

Audit Fees. The audit fees for 2015 and 2014 include fees for professional services rendered for the audit of the Corporation's annual financial statements included in the Corporation's Form 10-K Reports, the review of the financial statements included in the Corporation's Form 10-Q Reports, and professional services rendered for a required review of the Corporation's other SEC filings.

Audit-Related Fees. The audit-related fees for 2015 and 2014 include fees for audits of the Corporation's employee benefit plan.

All Other Fees. There were no other fees billed for 2015 and 2014.

Tax Fees. We did not use Baker Tilly for domestic tax services in 2015 or 2014.

Auditor Independence

The Audit Committee has considered the nature of the above-listed services provided by Baker Tilly and determined that the provisions of the services are compatible with Baker Tilly maintaining its independence.

Pre-Approval Policy

The Audit Committee has established pre-approval policies and procedures pursuant to which the Audit Committee pre-approved the foregoing audit and permissible non-audit services provided by Baker Tilly in 2015.

Audit Committee Report

The Audit Committee has prepared the following report on its activities with respect to the Corporation's audited consolidated financial statements for the year ended December 31, 2015, which are referred to herein as the Corporation's audited consolidated financial statements:

- The Audit Committee has reviewed and discussed the audited consolidated financial statements with management.

- The Audit Committee has discussed with Baker Tilly, the Corporation's independent auditors, the matters required to be discussed by Auditing Standard No. 16, as issued by the Public Company Accounting Oversight Board.

- The Audit Committee has received the written disclosures and the letter from Baker Tilly required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committees concerning independence, and has discussed with Baker Tilly their independence.

- Based on the review and discussions referred to above, the Audit Committee has recommended to the Board of Directors that the audited consolidated financial statements be included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2015, for filing with the Securities and Exchange Commission.

The Audit Committee:

Nicholas A. Giordano, Chairman
Robert N. Masucci
Michael J. McKenna
Philip N. Seamon

The Board of Directors recommends that shareholders vote "FOR" ratification of the appointment of Baker Tilly as the Corporation's independent registered public accounting firm for 2016.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Corporation's executive officers and directors and persons who own more than ten percent of a registered class of the Corporation's equity securities (collectively, the "reporting persons") to file reports of ownership and changes in ownership with the Securities and Exchange Commission and to furnish the Corporation with copies of these reports.

Based on the Corporation's review of the copies of these reports received by it and written representations, if any, received from reporting persons with respect to the filing of reports of Forms 3, 4 and 5, the Corporation believes that all filings required to be made by the reporting persons for fiscal year 2015 were made on a timely basis, except that one Form 4 report for Mr. Gruenhagen was not timely filed.

SHAREHOLDER PROPOSALS FOR 2017 ANNUAL MEETING

Under the Corporation's bylaws, shareholder proposals with respect to the 2017 Annual Meeting of Shareholders, including nominations for directors, which have not been previously approved by the Board of Directors, must be submitted to the Secretary of the Corporation no later than November 18, 2016. Any such proposals must be in writing and sent either by personal delivery, nationally recognized express mail or United States mail, postage prepaid to Corporate Secretary, IntriCon Corporation, 1260 Red Fox Road, Arden Hills, Minnesota 55112. Each nomination or proposal must include the information required by the bylaws. All late or nonconforming nominations and proposals may be rejected by the officer presiding at the meeting.

Shareholder proposals for the 2017 Annual Meeting of Shareholders must be submitted to the Corporation by November 18, 2016 to receive consideration for inclusion in the Corporation's Proxy Statement relating to the 2017 Annual Meeting of Shareholders. Any such proposal must also comply with SEC proxy rules, including SEC Rule 14a-8, and any applicable requirements set forth in the bylaws.

In addition, shareholders are notified that the deadline for providing the Corporation timely notice of any shareholder proposal to be submitted outside of the Rule 14a-8 process for consideration at the Corporation's 2017 Annual Meeting of Shareholders is November 18, 2016. As to all such matters which the Corporation does not have notice on or prior to November 18, 2016, discretionary authority shall be granted to the persons designated in the Corporation's Proxy related to the 2017 Annual Meeting of shareholders to vote on such proposal.

ANNUAL REPORT TO SHAREHOLDERS

A copy of the Corporation's 2015 Annual Report on Form 10-K for the year ended December 31, 2015 as filed with the SEC is being made available to each shareholder with this Proxy Statement.

The Corporation files reports and other information with the Securities and Exchange Commission, referred to as the "SEC." Copies of these documents may be obtained at the SEC's public reference room in Washington, D.C. The Corporation's SEC filings are also available on the SEC's web site at http://www.sec.gov.

EACH SHAREHOLDER CAN OBTAIN A COPY OF THE CORPORATION'S ANNUAL REPORT ON FORM 10-K, INCLUDING FINANCIAL STATEMENTS AND FINANCIAL SCHEDULES FOR THE YEAR ENDED DECEMBER 31, 2015 AS FILED WITH THE SEC, WITHOUT CHARGE EXCEPT FOR EXHIBITS TO THE REPORT, BY SENDING A WRITTEN REQUEST TO: INTRICON CORPORATION, 1260 RED FOX ROAD, ARDEN HILLS, MINNESOTA 55112 ATTN: SCOTT LONGVAL.

HOUSEHOLDING

In order to reduce printing costs and postage fees, the Corporation has adopted the process called "householding" for mailing its annual report and proxy statement to "street name holders," which refers to shareholders whose shares are held in a stock brokerage account or by a bank or other nominee. This means that street name holders who share the same last name and address will receive only one copy of the Corporation's annual report and proxy statement, unless the Corporation receives contrary instructions from a street name holder at that address. The Corporation will continue to mail a proxy card to each shareholder of record who requests it.

The Corporation will promptly deliver separate copies of the Corporation's proxy statement and annual report upon written or oral request. If you prefer to receive multiple copies of the Corporation's proxy statement and annual report at the same address, you may obtain additional copies by writing to IntriCon Corporation, Attention: Scott Longval, Chief Financial Officer, 1260 Red Fox Road, Arden Hills, Minnesota 55112 or by calling Mr. Longval at (651) 604-9526. Eligible shareholders of record receiving multiple copies of the annual report and proxy statement can request householding by contacting the Corporation in the same manner.

OTHER MATTERS

The Corporation is not presently aware of any matters (other than procedural matters) that will be brought before the Meeting which are not reflected in the attached Notice of the Meeting. The accompanying proxy confers discretionary authority to vote with respect to any and all of the following matters that may come before the Meeting: (i) matters which the Corporation did not receive notice by November 9, 2015 were to be presented at the Meeting; (ii) approval of the minutes of a prior meeting of shareholders, if such approval does not amount to ratification of the action taken at the meeting; (iii) the election of any person to any office for which a bona fide nominee named in this Proxy Statement is unable to serve or for good cause will not serve; (iv) any proposal omitted from this Proxy Statement and the form of proxy pursuant to Rules 14a-8 or 14a-9 under the Securities Exchange Act of 1934; and (v) matters incident to the conduct of the Meeting. In connection with such matters, the persons named in the accompanying proxy will vote in accordance with their best judgment.

Scott Longval
Chief Financial Officer, Treasurer
and Secretary

Appendix A

INTRICON CORPORATION
2007 EMPLOYEE STOCK PURCHASE PLAN, AS AMENDED

SECTION 1

GENERAL

1.1. *Purpose.* The IntriCon Corporation 2007 Employee Stock Purchase Plan (the "Plan") has been established by IntriCon Corporation (the "Company") to provide eligible employees of the Company and the Related Companies (each of which is referred to herein as an "Employer") with an opportunity to acquire a proprietary interest in the Company through the purchase of common shares of the Company ("Stock"). The Plan is intended to qualify as an employee stock purchase plan under section 423 of the Code, and the provisions of the Plan are to be construed in a manner consistent with the requirements of that section.

1.2. *Defined Terms. C*apitalized terms in the Plan will be defined as set forth in Section 6 or elsewhere in the Plan.

SECTION 2

METHOD OF PURCHASE

2.1. *Eligibility.* Plan participation will be available to (and will be limited to) each employee of an Employer beginning on the first day of the twelfth month following such employee's date of hire by his or her Employer, except that the following persons will not be eligible to participate in the Plan:

(a) An employee whose customary employment is 20 hours or less per week.

(b) An employee whose customary employment is for not more than five months in any calendar year.

(c) An employee who owns, or who would own upon the exercise of any rights extended under the Plan and the exercise of any other option held by the employee (whether qualified or non-qualified), shares possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or of any Related Company. For purposes of this section 2.1(c), the rules of section 424(d) of the Code will apply in determining the stock ownership of an employee.

For purposes of the Plan, the term "employee" will not include any individual for any period during which such individual's services are performed pursuant to the terms of a contract, either with such individual himself or herself or with a leasing organization or agency, that purports to treat the individual as either an independent contractor or an employee of such agency or leasing organization.

In addition to the foregoing provisions of this section 2.1, an individual may participate in the Plan for any Subscription Period (as defined in section 2.2) only if he or she is employed by an Employer on the first day of that period.

2.2. *Participation Election.* A "Subscription Period" for the accumulation of funds necessary for payment of the Purchase Price (as defined in section 2.3) of Stock under the Plan will consist of a three month period, beginning on each January 1, April 1, July 1, and October 1 commencing on or after the Effective Date and prior to the termination of the Plan. For any Subscription Period, an eligible employee will become a Plan "Participant" by filing a payroll deduction authorization (an "Authorization") with respect to Compensation otherwise payable to the Participant during such Subscription Period. The Authorization will be filed with the Company or a designated agent at the time and in the manner specified by the Committee. Such payroll deductions will be any full percentage of the Compensation of the Participant up to but not more than 20% of his or her Compensation. Such Authorization shall remain in effect until modified by the Participant or the Participant's participation in

the Plan terminates in accordance with section 2.4. After the beginning of the Subscription Period, and except as otherwise provided in section 2.4, a Participant may not change the rate of his or her payroll deductions for that Subscription Period. A Participant may change the amount of his or her payroll deduction effective as of the first day of any Subscription Period by filing a new Authorization with the Company or a designated agent at the time and in the manner specified by the Committee. Subject to compliance with the applicable rules adopted by the Committee, any Authorization will be effective on the first day of the Subscription Period following the day the Company or its designated agent receives such Authorization.

Subject to the limitations of section 2.3, each eligible employee who has elected to become a Participant in accordance with the foregoing provisions of this section 2.2 will be deemed to have been granted an option on the first day of each Subscription Period to purchase (at the applicable Purchase Price) on the Exercise Date (as defined in section 2.3) shares of Stock in accordance with section 2.3. Exercise of the option will occur as provided in section 2.3, except as provided in section 2.4. The option will expire on the last day of the Subscription Period.

The Committee may at any time amend, suspend, or terminate any participation procedures established pursuant to this section 2.2 without prior notice to any Participant or eligible employee.

2.3. *Purchase of Stock.* On the last day of each Subscription Period (the "Exercise Date"), a Participant will be deemed to have exercised his or her option to purchase that whole number of shares of Stock equal to the quotient of (i) the cash balance in the Participant's Account (as defined in section 3.4) as of the Exercise Date and (ii) the Purchase Price. Any amounts remaining in a Participant’s Account after deducting the Purchase Price of the option shall be returned to the Participant, without interest, as soon as administratively possible thereafter except that amounts which represent less than the Purchase Price of a whole share of Stock shall be held, without interest, for use on the next Exercise Date

The "Purchase Price" per share will be equal to 90% of the Fair Market Value of a share of Stock on the Exercise Date; provided, however, that the Committee shall have the authority to set the Purchase Price at a price up to 100% of the Fair Market Value from time to time prior to the beginning of a Subscription Period. If such amount results in a fraction of one tenth of one cent, the Purchase Price will be increased to the next higher tenth of one cent. In no event will the Purchase Price be less than the par value of the Stock.

The Company may, at its election, upon the exercise of options (i) issue Stock in the name of the Plan, for the benefit of the Participants or (ii) reflect the issuance of Stock in book entry form with noncertificated Stock. In either event, the Company shall cause to be delivered to each Participant, at least annually, a statement that will reflect the number of shares of Stock purchased from the Participant’s Account and the Purchase Price of such Stock.

No employee will have the right to purchase more than $25,000 in value of Stock under the Plan (and any other employee stock purchase plan described in Code section 423 and maintained by the Company or any Related Company) in any calendar year, such value being based on the Fair Market Value of a share of Stock as of the date on which the option to purchase the Stock is granted, as determined in accordance with section 2.2 of the Plan. This section 2.3 will be interpreted in accordance with section 423(b)(8) of the Code.

Notwithstanding anything contained herein to the contrary, the number of shares of Stock which may be purchased by any Participant during any Subscription Period will not exceed 1,250, subject to adjustment as provided in section 3.3.

2.4. *Termination of Participation.* A Participant may, at any time and for any reason, voluntarily terminate participation in the Plan by notification of withdrawal from the Plan in the manner specified by the Committee, provided such notification is received by the Company or its designated agent at least 15 business days (or such other period as designated by the Committee) prior to the Exercise

Date of any Subscription Period. If a Participant's employment with the Employers terminates for any reason or a Participant ceases to be an eligible employee, such Participant's participation in the Plan will immediately terminate.

If a Participant who is an eligible employee voluntarily terminates his or her participation in the Plan, (i) no further payroll deductions will be made from his or her Compensation, (ii) the cash balance of the Participant's Account will be used to purchase shares of Stock for the Subscription Period in which such termination occurs (at the time specified in, and in accordance with, section 2.3) and any balance remaining shall be returned to the Participant, without interest, as soon as administratively possible thereafter, and (iii) the number of shares of Stock purchased under the Plan will continue to be held on behalf of the Participant in his or her Account.

If a Participant's employment with the Employers terminates or a Participant ceases to be an eligible employee so that the Participant's participation in the Plan is automatically terminated as provided in this section 2.4, (i) no further payroll deductions will be made from his or her Compensation, (ii) the cash balance of the Participant's Account will be paid to him or her without interest, as soon as administratively possible and (iii) the number of full shares of Stock purchased under the Plan and held for his or her benefit will be credited to a book entry account in the Participant's name maintained by the Company's transfer agent, or, if the Participant so elects, in the time and manner specified by the Committee, to a brokerage account designated by the Participant. Notwithstanding the preceding sentence, in lieu of having the shares of Stock issued to a book entry or brokerage account, such Participant may direct the Company or its designated agent to continue to maintain his or her Account with the same entity that acts as the Company's designated agent under the Plan, subject to any conditions imposed by such entity.

2.5 *No Fractional Shares*. Only whole shares of Stock may be acquired through the exercise of an option. Amounts remaining in a Participant’s Account after the maximum number of whole shares have been purchased on any Exercise Date shall be held for use on the next Exercise Date, as provided in Section 2.3 above.

SECTION 3

OPERATION AND ADMINISTRATION

3.1. *Effective Date.* Subject to the approval of the shareholders of the Company within 12 months after the date of its adoption by the Board, the Plan will be effective on the Effective Date.

3.2. *Shares Subject to Plan.* Shares of Stock to be purchased under the Plan will be subject to the following:

(a) The shares of Stock which may be purchased under the Plan will be shares purchased in the open market (on an exchange or in negotiated transactions) or, if the Company's Chief Financial Officer, in his or her discretion, deems it necessary or advisable, shares sold hereunder may be previously acquired treasury shares, authorized and unissued shares, or any combination of shares purchased in the open market or in negotiated transactions, previously acquired treasury shares or authorized and unissued shares.

(b) Subject to the provisions of section 3.3, the number of shares of Stock which may be purchased under the Plan will not exceed 300,000 shares in the aggregate.

(c) If, on an Exercise Date, Participants in the aggregate have outstanding Options to purchase more shares of Stock than are then available for purchase under the Plan, each Participant will be eligible to purchase a reduced number of shares of Stock on a pro rata basis and any excess payroll deductions will be returned to Participants, without interest, all as provided by uniform and nondiscriminatory rules adopted by the Committee.

3.3. *Adjustments to Shares.* If the Company will effect any subdivision or consolidation of

shares of Stock or other capital readjustment, payment of stock dividend, stock split, combination of shares or recapitalization or other increase or reduction of the number of shares of Stock outstanding without receiving compensation therefor in money, services or property, then, subject to the requirements of Code section 423, the Committee will adjust the number of shares of Stock available under the Plan and the maximum number of shares that may be purchased by a Participant during any Subscription Period to reflect appropriately such action by the Company.

3.4. *Plan Accounts.* The Committee will cause a separate bookkeeping account (an "Account") to be maintained for each Participant, which Account will reflect the accumulated payroll deductions made on behalf of the Participant from time to time, reduced for any distributions from such Account pursuant to the provisions of the Plan. No interest will accrue at any time for any amount credited to an Account of a Participant. In the event a Participant elects to sell any of the shares of Stock held in his or her Account, the Participant's Account will be subject to all transaction fees associated with such disposition.

The Stock purchased by each Participant pursuant to the provisions of the Plan will be credited to such Participant's Account as soon as practicable after, and effective as of the close of business on, the last day of each Subscription Period. Dividends earned on any shares of Stock held in an Account will be automatically reinvested in shares of Stock of the Company and credited to the Participant's Account.

After the close of each Subscription Period, information will be made available to each Participant regarding the activity in such Participant's Account for such Subscription Period, including the number of shares of Stock purchased and the applicable Purchase Price. In the event that the maximum number of shares of Stock are purchased by a Participant for a Subscription Period and cash remains credited to the Participant's Account, such cash will be paid to the Participant without interest, as soon as administratively possible.

3.5. *Limit on Distribution.* Distribution of shares of Stock or other amounts under the Plan will be subject to the following:

(a) Notwithstanding any other provision of the Plan, the Company will have no liability to issue any shares of Stock under the Plan unless such delivery or distribution would comply with all applicable laws and the applicable requirements of any securities exchange or similar entity.

(b) In the case of a Participant who is subject to Section 16(a) and 16(b) of the Securities Exchange Act of 1934, as amended, the Committee may, at any time, add such conditions and limitations with respect to such Participant as the Committee, in its sole discretion, deems necessary or desirable to comply with Section 16(a) or 16(b) and the rules and regulations thereunder or to obtain any exemption therefrom.

3.6. *Withholding.* All shares of Stock issued hereunder and any payments pursuant to the Plan are subject to withholding of all applicable taxes and the Employers will have the right to withhold from any payment or distribution of shares or to collect as a condition of any payment or distribution under the Plan, as applicable, any taxes required by law to be withheld. To the extent provided by the Committee, a Participant may elect to have any distribution of shares otherwise required to be made pursuant to the Plan withheld, or may surrender to the Employers shares of Stock already owned by the Participant, to fulfill any tax withholding obligation; provided, however, in no event will the Fair Market Value of the number of shares so withheld (or accepted) (as of the date immediately preceding the date withheld or accepted) exceed the amount necessary to meet the minimum Federal, state and local marginal tax rates then in effect that are applicable to the Participant and to the particular transaction.

3.7. *Transferability.* Except as otherwise permitted under Code section 423 and Rule 16b-3, a Participant's Account, the amount of any payroll deductions made with respect to a Participant's Compensation and any Participant's rights to purchase shares of Stock under the Plan may not be pledged, hypothecated, assigned or transferred other than by will and the laws of descent and distribution. During

the lifetime of a Participant, the rights provided to the Participant under the Plan may be exercised only by him or her.

3.8. *Limitation of Implied Rights.*

(a) Neither a Participant nor any other person will, by reason of the Plan, acquire any right in or title to any assets, funds or property of the Employers whatsoever, including, without limitation, any specific funds, assets, or other property which the Employers, in their sole discretion, may set aside in anticipation of a liability under the Plan. A Participant will have only a contractual right to the shares of Stock and amounts, if any, payable under the Plan, unsecured by any assets of the Employers. Nothing contained in the Plan will constitute a guarantee by any of the Employers that the assets of the Employers will be sufficient to pay any benefits to any person.

(b) The Plan does not constitute a contract of employment, and participation in the Plan will not give any employee the right to be retained in the employ of an Employer or any Related Company, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. Except as otherwise provided in the Plan, no right to purchase shares under the Plan will confer upon the holder thereof any right as a shareholder of the Company prior to the date on which he or she fulfills all service requirements and other conditions for receipt of such rights.

3.9. *Evidence.* Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

3.10. *Action by Employers.* Any action required or permitted to be taken by any Employer will be by resolution of its board of directors, or by action of one or more members of the board (including a committee of the board) who are duly authorized to act for the board, or (except to the extent prohibited by the provisions of Rule 16b-3, applicable local law, the applicable rules of any stock exchange, or any other applicable rules) by a duly authorized officer of the Employer.

3.11. *Gender and Number.* Where the context admits, words in any gender will include any other gender, words in the singular will include the plural and the plural will include the singular.

SECTION 4

COMMITTEE

4.1. *Administration.* The authority to control and manage the operation and administration of the Plan will be vested in the Compensation Committee of the Board or a subcomittee of the Compensation Committee (the "Committee") in accordance with this section 4. The Committee will consist of such number and type of members as may be required for compliance with Rule 16b-3.

4.2. *Powers of Committee.* The authority to manage and control the operation and administration of the Plan will be vested in the Committee, including, without limitation, the power and authority to:

(a) establish the terms, conditions, restrictions, Purchase Price (subject to Section 2.3) and other provisions applicable to the right to purchase shares of Stock under the Plan; and

(b) interpret the Plan, establish, amend, and rescind any rules and regulations relating to the Plan, determine the terms and provisions of any agreements made pursuant to the Plan, and make all other determinations that may be necessary or advisable for the administration of the Plan.

Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons.

4.3. *Delegation by Committee.* Except to the extent prohibited by the provisions of Rule 16b-3, applicable law, the applicable rules of any stock exchange, or any other applicable rules, the Committee

may allocate all or any portion of its responsibilities and powers to any one or more of its members, and may delegate all or any part of its responsibilities and powers to any person or persons selected by it or appoint such agents as the Committee will deem appropriate. Any such allocation or delegation may be revoked by the Committee at any time.

4.4. *Information to be Furnished to Committee.* The Employers and Related Companies will furnish the Committee and its designees with such data and information as may be required for them to discharge their duties with respect to the Plan. The records of the Employers and Related Companies as to an employee's or Participant's employment, termination of employment, leave of absence, reemployment and compensation will be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

4.5. *Liability and Indemnification of Committee.* No member or authorized delegate of the Committee will be liable to any person for any action taken or omitted in connection with the administration of the Plan unless attributable to his or her own fraud or willful misconduct; nor will the Employers be liable to any person for any such action unless attributable to fraud or willful misconduct on the part of a director or employee of the Employers. The Committee, the individual members thereof, and persons acting as the authorized delegates of the Committee under the Plan, will be indemnified by the Employers, to the fullest extent permitted by law, against any and all liabilities, losses, costs and expenses (including legal fees and expenses) of whatsoever kind and nature which may be imposed on, incurred by or asserted against the Committee or its members or authorized delegates by reason of the performance of a Committee function if the Committee or its members or authorized delegates did not act dishonestly or in willful violation of the law or regulation under which such liability, loss, cost or expense arises. This indemnification will not duplicate but may supplement any coverage available under any applicable insurance.

SECTION 5

AMENDMENT AND TERMINATION

The Board or the Committee may, at any time, amend the Plan, provided that, subject to section 3.3 (relating to certain adjustments to shares), no amendment may adversely affect the rights of any Participant or beneficiary with respect to shares that have been purchased prior to the date such amendment is adopted by the Committee. No amendment of the Plan may be made without approval of the Company's shareholders to the extent that such approval is required to maintain compliance with the requirements of Code section 423.

The Company, by action of the Board or the Committee, may at any time terminate the Plan, in which case notice of such termination will be given to all Participants, but any failure to give such notice will not impair the effectiveness of the termination. Such termination will not adversely affect the rights of any Participant or beneficiary with respect to shares of Stock that have been purchased on or prior to the date of such termination.

In the event of Plan termination pursuant to this section 5, (i) the cash balance of the Participant's Account will be paid to him or her without interest as soon as administratively possible and (ii) the number of full shares of Stock purchased under the Plan and held for his or her benefit will be credited to a book entry account in the Participant's name maintained by the Company's transfer agent, or, if the Participant so elects, in the time and manner specified by the Committee, to a brokerage account designated by the Participant.

SECTION 6

DEFINED TERMS

For purposes of the Plan, the terms listed below will be defined as follows:

(a) *Board*. The term "Board" will mean the Board of Directors of the Company.

(b) *Code*. The term "Code" means the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code will include reference to any successor provision of the Code.

(c) *Compensation*. The term "Compensation" means total cash compensation (excluding bonuses and employee benefit contributions and payments) paid by the Employers (before withholding and deductions) for the applicable Subscription Period.

(d) *Dollars*. As used in the Plan, the term "dollars" or numbers preceded by the symbol "$" will mean amounts in United States dollars.

(e) *Effective Date*. The "Effective Date" will be July 1, 2007 or such later date that the Chief Financial Officer determines that all arrangements have been completed with respect to the effectuation of the Plan.

(f) *Fair Market Value*. The "Fair Market Value" of a share of Stock of the Company as of any date will mean:

(i) If the principal market for the Stock is a national securities exchange or the NASDAQ stock market, then the "Fair Market Value" as of that date will be the last reported sale price of the Stock on that date on the principal exchange or market on which the Stock is then listed or admitted to trading.

(ii) If sale prices are not available or if the principal market for the Stock is not a national securities exchange and the Stock is not quoted on the NASDAQ Stock Market, then the "Fair Market Value" as of that date will be the mean between the highest bid and lowest asked prices for the Stock on such day as reported on the NASDAQ OTC Bulletin Board Service or by the National Quotation Bureau, Incorporated or a comparable service.

If the day is not a business day, and as a result, paragraphs (i) and (ii) above are inapplicable, the Fair Market Value of the Stock will be determined as of the next earlier business day.

(g) *Participant*. The term "Participant" means any employee of the Company who is eligible and elects to participate pursuant to the provisions of Section 2.

(h) *Related Companies*. The term "Related Company" means any entity during any period in which it is a "subsidiary corporation" (as that term is defined in Code section 424(f) with respect to the Company, except that any subsidiary corporation that is not incorporated under the laws of the United States or any state or jurisdiction thereof shall not be a Related Company for the purpose of this Plan.

(i) *Rule 16b-3*. The term "Rule 16b-3" means Rule 16b-3 as promulgated under the Securities and Exchange Act of 1934, as amended.

This Plan has been adopted by the Board of Directors of the Company on behalf of the Company and the Related Companies on March 14, 2007 and approved by the shareholders of the Company on April 25, 2007.

Management

Mark S. Gorder
President and Chief Executive Officer
J. Scott Longval
Chief Financial Officer, Secretary and Treasurer
Michael P. Geraci
Vice President, Sales and Marketing
Greg Gruenhagen
Vice President, Quality and Regulatory Affairs
Dennis L. Gonsior
Vice President, Global Operations
Delain Wright
Vice President, Business Development,
Value Hearing Health

Directors

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Retired Vice Chairman,
President and Director,
Crown Cork & Seal Company, Inc.
Nicholas A. Giordano
Business Consultant,
Former President and CEO
Philadelphia Stock Exchange
Mark S. Gorder
President and Chief Executive Officer,
IntriCon Corporation
Robert N. Masucci
Chairman of Barclay Brand Corporation Chairman,
Montgomery Capital Advisors, Inc.
Philip N. Seamon
President, Philip N. Seamon, Inc.
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