

INTRICON CORP
Form DEF 14A
March 15, 2012

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

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to § 240.14a-12

IntriCon Corporation

(Name of Registrant as Specified In Its Charter)

Not Applicable

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

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- x No fee required.
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 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

INTRICON CORPORATION
1260 Red Fox Road
Arden Hills, Minnesota 55112

March 22, 2012

Dear Shareholder:

It is my great pleasure to invite you to attend the 2012 Annual Meeting of Shareholders (the Annual Meeting). The Annual Meeting will be held on Tuesday, May 1, 2012 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 to hold office for a term of three years and until their successor is duly elected and qualified;

the approval of an amendment to our 2006 Equity Incentive Plan to, among other things, increase the shares authorized for issuance under that plan by 300,000 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 2012.

The official notice of the Annual Meeting, together with the proxy statement and proxy card, are enclosed.

The vote of every shareholder is important. Therefore, whether or not you expect to attend the meeting in person, I urge you to sign and date the enclosed proxy card and return it promptly in the envelope provided for that purpose. You also have the option of voting by telephone. If you choose to vote by telephone you may call toll-free in the U.S. or Canada, 1-800-690-6903 on a touch-tone telephone. You also have the option of voting over the Internet. To do so, 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. If you vote by telephone or electronically over the Internet, 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 May 1, 2012

The 2012 Annual Meeting of Shareholders (the Annual Meeting) of IntriCon Corporation (the Corporation) will be held on Tuesday, May 1, 2012 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 directors, each to hold office for a term of three years and until their successor is duly elected and qualified;
- (2) to approve an amendment to our 2006 Equity Incentive Plan to, among other things, increase the shares authorized for issuance under that plan by 300,000 shares;
- (3) to ratify the appointment of Baker Tilly Virchow Krause, LLP as the Corporation's independent registered public accounting firm for fiscal year 2012; and
- (4) to transact such other business as may properly come before the Annual Meeting or any of its adjournments or postponements.

The Board of Directors has fixed the close of business on March 6, 2012 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, please mark, sign and date the enclosed proxy card and return it promptly in the envelope provided in order that your shares may be voted.

You also have the option of voting by telephone. If you choose to vote by telephone you may call toll-free in the U.S. or Canada, 1-800-690-6903 on a touch-tone telephone. You also have the option of voting over the Internet. To do so, 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. If you attend the meeting, you may revoke your proxy and vote in person. The deadline to vote telephonically or over the Internet is Monday, April 30, 2012, 11:59 p.m., eastern daylight time. If you vote by telephone or electronically over the Internet, 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 by telephone or electronically through the Internet.

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**Important Notice Regarding the Availability of Proxy Materials for
The Annual Meeting of Shareholders to be held on May 1, 2012**

The SEC has adopted rules to allow proxy materials to be posted on the Internet and to provide only a Notice of Internet Availability of Proxy Materials to shareholders. For this proxy statement, the Corporation has chosen to follow the SEC's full set delivery option and we are mailing a full set of our proxy materials to the Corporation's shareholders. As required by the new rules, we also are posting this Proxy Statement and our Annual Report on Form 10-K online. The Proxy materials are available at <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 22, 2012
Arden Hills, Minnesota

INTRICON CORPORATION
1260 Red Fox Road
Arden Hills, Minnesota 55112

PROXY STATEMENT

This proxy statement and the enclosed 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 2012 Annual Meeting of Shareholders (the Annual Meeting) to be held on Tuesday, May 1, 2012 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 sent or given to shareholders on or about March 22, 2012.

The Board of Directors has fixed the close of business on March 6, 2012 as the record date for determination of the shareholders entitled to notice of and to vote at the Annual Meeting. As of March 6, 2012, there were 5,662,854 shares of common stock, par value \$1.00 per share (the Common Shares) 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 enclosed, 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 Common Shares for the election of the two nominees for director, for the approval of the amendment to the 2006 Equity Incentive 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 2012. 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. Because the proxy is revocable, sending in a signed proxy will not affect a shareholder's right to attend the Annual Meeting and vote in person. You also have the option of voting by telephone. If you choose to vote by telephone you may call toll-free in the U.S. or Canada, 1-800-690-6903 on a touch-tone telephone. You also have the option of voting over the Internet. To do so, 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. The deadline to vote telephonically or over the Internet is Monday, April 30, 2012, 11:59 p.m., eastern daylight time.

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 by telephone or over the Internet, you may change your vote telephonically or over the Internet 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.

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The presence, in person or represented by proxy, of the holders of a majority of the outstanding Common Shares will constitute a quorum for the transaction of business at the Annual Meeting. All Common Shares 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 Common Share is entitled to one vote on each matter that may be brought before the Annual Meeting. The election of the directors will be determined by a plurality vote and the two nominees receiving the highest number of for votes will be elected. Approval of any other proposal, including approval of the amendment of the 2006 Equity Incentive Plan and ratification of the appointment of the independent registered public accounting firm for fiscal year 2012, 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 or the amendment to the 2006 Equity Incentive 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 either 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 Common Shares 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 Nicholas A. Giordano and Philip N. Seamon for election as directors at the Annual Meeting to serve until the 2015 annual meeting of shareholders and until his 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. Messrs. Giordano and Seamon have indicated their willingness to continue serving as directors. The Board of Directors knows of no reason why the nominees would be unable to serve as directors. If any of the nominees for any reason is unable to serve, 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 Messrs. Giordano and Seamon as a director for the ensuing 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, the slate of directors are nominated by the Board of Directors upon recommendation by the Nominating and Corporate Governance Committee for election at the annual stockholders 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.

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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⁽¹⁾ and Occupation	Director Since	Term Expires
<u>Nominee for Election</u>		
Nicholas A. Giordano (69) 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 W.T. Trust 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.	2000	2012

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.

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Name, Age ⁽¹⁾ and Occupation	Director Since	Term Expires
<p>Philip N. Seamon (64) 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.</p> <p>Mr. Seamon provides IntriCon with expertise in financial and accounting matters as well as experience in mergers and acquisitions and business restructuring.</p>	2006	2012
<u>Continuing Directors</u>		
<p>Mark S. Gorder (65) became a director in January 1996. Mr. Gorder has served as the President and Chief Executive Officer of the Corporation since April 2001; President and Chief Operating Officer of the Corporation from December 2000 to April 2001; and Vice President of the Corporation from 1996 to December 2000. Mr. Gorder has been President and Chief Executive Officer of IntriCon, Inc., a subsidiary of the Corporation, since 1983.</p> <p>Mr. Gorder's day to day leadership of the Corporation, as Chief Executive Officer, provides him with intimate knowledge of the Corporation's operations and the markets in which the Corporation operates. Also, as co-founder of the Corporation's subsidiary, IntriCon, Inc. (formerly RTI Technology, Inc.), he provides strategic guidance. The Board believes that Mr. Gorder provides unique insights into the Corporation's challenges, opportunities and operations.</p>	1996	2013

Name, Age ⁽¹⁾ and Occupation	Director Since	Term Expires
<p>Michael J. McKenna (77) 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.</p> <p>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.</p>	1998	2013
<p>Robert N. Masucci (74) 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 Ferdon, Inc., a distribution company, since 1996. Prior to 1990, Mr. Masucci was President and Chief Executive Officer of Drexel Industries, Inc., a forklift manufacturer. Mr. Masucci also served as a director of Agfeed Industries, Inc., a commercial hog producer and a premix feed company in China, during 2007.</p> <p>As a former chief executive officer of a 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.</p>	2002	2014

(1) As of March 1, 2012.

Messrs. Giordano and Masucci are first cousins.

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.

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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 regularly 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 eleven meetings in 2011. During 2011, 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 2011 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 2011

The following table sets forth information concerning the compensation earned during the year ended December 31, 2011 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	42,300		26,277		68,577
Robert N. Masucci	33,300		26,277		59,577
Michael J. McKenna	55,800 (3)		31,532		87,332
Philip N. Seamon	33,300		26,277		59,577

- (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 Common Shares 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 2011 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 12 to our consolidated financial statements included in our annual report on Form 10-K for the fiscal year ended December 31, 2011. The amounts shown include the impact of option forfeitures during 2011. A total of 95,000 options were forfeited under all plans during 2011. As of December 31, 2011, the number of stock option awards held by our non-employee directors was: Mr. Giordano 85,000; Mr. Masucci 85,000; Mr. McKenna 93,000; and Mr. Seamon 55,000.
- (3) Includes a total of \$11,015 of director fees which Mr. McKenna elected to have paid in 2,731 Common Shares pursuant to the Non-Employee Directors Stock Fee Election Program. See Non-Employee Directors Stock Fee Election Program.

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Effective April 1, 2009, the non-employee directors elected to temporarily reduce their quarterly retainer installments and meeting fees by 20% and, at the same time, the Corporation effected a reduction in the salaries of officers and employees in an effort to reduce costs during the economic slowdown. Salaries of our employees were partially restored during 2010 and were fully restored during the first quarter of 2011. Salary for Mr. Gorder and retainer installments and meeting fees for the non-employee directors were fully restored during the third quarter of 2011, while salaries for all other executives were fully restored during the second quarter of 2011.

The Chairman of the Board is entitled to receive an annual retainer of \$49,000, the Chairman of the Audit Committee is entitled to receive an annual retainer of \$34,000 and each other non-employee member of the Board is entitled to receive an annual retainer of \$25,000. The annual retainers are paid on a quarterly basis. As noted above, the amounts of the quarterly retainers for the first half of 2011 were reduced by 20%. In addition, for 2011, each non-employee member of the Board was entitled to receive \$1,000 for each Board and committee meeting attended in person and \$500 for each telephonic Board and committee meeting attended, each subject to a 20% reduction for the first half of 2011; however, no fee is payable for telephonic board and committee meetings that last less than 30 minutes. For 2012, annual retainers and telephonic board and committee meeting fees will be paid at the same rates (without the 20% reduction) while in person Board and Committee meeting fees have been increased to \$1,500.

Directors are eligible to receive awards under the 2006 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 Common Shares and each other non-employee director - options to purchase 10,000 Common Shares. Accordingly, following the 2011 annual meeting, Mr. McKenna, in his capacity as chairman of the board, was granted an option to purchase 12,000 Common Shares, while each of Messrs. Giordano, Masucci, and Seamon was granted an option to purchase 10,000 Common Shares, in each case at an exercise price of \$4.53 per share, the fair market value on the date of the grant. Assuming that they are re-elected or continue as a director, as the case may be, at the 2012 annual meeting, the chairman of the board will receive an option to purchase 12,000 Common Shares, and each of the other non-employee directors will receive an option to purchase 10,000 Common Shares, in each case at an exercise price equal to the fair market value of the Common Shares on the date of the 2012 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 2006 Equity Incentive Plan or the death or disability of the recipient, and expire ten years after the date of grant, unless terminated earlier by the terms of the option.

Non-Employee Directors Stock Fee Election Program

In December 2006, the Board of Directors approved the Non-Employee Directors Stock Fee Election Program, referred to as the Program, as an award under the 2006 Equity Incentive Plan. The Program gives each non-employee director the right under the 2006 Equity Incentive Plan to elect to have some or all of his quarterly director fees paid in Common Shares rather than cash. The minimum amount that can be the subject of such election by a director is 25% of his quarterly director fees. The shares to be issued will be valued based on the last reported sale price of the Common Shares as reported on Nasdaq on the first business day of each calendar quarter when quarterly director fees are paid. The number of shares that will be issued for any such quarterly director fees with respect to which an election is in effect will be equal to the amount of the election divided by the applicable last sale price. No fractional shares will be issued and a director will receive cash in lieu of any fractional shares. That portion of the quarterly director fees for which no election is in effect will continue to be paid in cash. The shares so purchased will be deemed fully vested as of the quarterly payment date. In 2011, Mr. McKenna elected to have a total of \$11,015 of his director fees paid in Common Shares and received 2,731 Common Shares.

Non-Employee Director and Executive Officer Stock Purchase Program

In July 2008, the Compensation Committee approved the Non-Employee Director and Executive Officer Stock Purchase Program, referred to as the Purchase Program, as an award under the 2006 Equity Incentive Plan. The purpose of the Purchase Program is to permit the Corporation's non-employee directors and executive officers to purchase Common Shares directly from the Corporation. Pursuant to the Purchase Program, participants may elect to purchase Common Shares not exceeding an aggregate of \$100,000 during any fiscal year. Participants may make such election one time during each ten business day period following the public release of the Corporation'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 Corporation and subject to the discretion of the Board to prohibit any transactions in Common Shares by directors and executive officers during a Window Period. The purchase price of the Common Shares to be issued pursuant to the Program will be equal to the last reported sale price of the Common Shares as reported by Nasdaq on the business day on which the election is made. Elections by participants may not be modified or revoked. No shares were purchased under the Purchase Program in 2011.

Director Share Ownership Requirements

In April 2006, the Nominating and Corporate Governance Committee adopted a policy that all directors must purchase and own Common Shares 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 eight meetings in 2011.

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 43.

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Compensation Committee. The Board of Directors of the Corporation has appointed a standing Compensation Committee currently consisting of Messrs. McKenna (Chairman), Giordano, Seamon, and Masucci. 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 2006 Equity Incentive Plan, 2001 Stock Option Plan, Non-Employee Directors Stock Option Plan and Employee Stock Purchase Plan. The Compensation Committee met four times in 2011.

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 the Compensation Discussion and Analysis.

Nominating and Corporate Governance Committee. The Board of Directors of the Corporation has appointed a standing Nominating and Corporate Governance Committee currently consisting of Messrs. McKenna (Chairman), Giordano, Masucci and Seamon. 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 2011.

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 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 2013 annual meeting of shareholders is November 22, 2012. 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

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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 March 6, 2012, concerning beneficial ownership of the Common Shares by (i) persons or groups of persons shown by SEC records to own beneficially more than 5% of the Common Shares, (ii) directors and nominees, (iii) the executive officers named in the Summary Compensation Table included herein and (iv) all directors and executive officers as a group.

Name	Number of Shares Beneficially Owned ⁽¹⁾	Percent of Class
The Trust Company of New Jersey ⁽²⁾ 35 Journal Square Jersey City, NJ 07306	463,700	8.3%
Amivest Capital Management ⁽³⁾ 275 Broadhollow Road Melville, NY 11747	448,700	8.0%
Estate of Siggie B. Wilzig ⁽⁴⁾ c/o Herrick, Feinstein LLP 2 Penn Plaza Newark, NJ 07105	336,575	6.0%
Dimensional Fund Advisors LP ⁽⁵⁾ Palisades West, Building One 6300 Bee Cave Road Austin, Texas, 78746	298,957	5.3%
Mark S. Gorder Director, President and Chief Executive Officer ⁽⁶⁾	536,183	9.4%
Michael J. McKenna Chairman of the Board of Directors ⁽⁷⁾	184,885	3.3%
Robert N. Masucci Director ⁽⁸⁾	173,200	3.1%
Nicholas A. Giordano Director ⁽⁹⁾	121,389	2.1%
Philip N. Seamon Director ⁽¹⁰⁾	55,000	1.0%
Dennis L. Gonsior Vice President, Global Operations ⁽¹¹⁾	81,913	1.4%
Christopher D. Conger Vice President, Engineering ⁽¹²⁾	79,695	1.4%
Michael P. Geraci Vice President, Sales ⁽¹³⁾	77,099	1.4%
Scott Longval Chief Financial Officer, Secretary, and Treasurer ⁽¹⁴⁾	72,921	1.3%
Greg Gruenhagen Vice President, Quality and Regulatory Affairs ⁽¹⁵⁾	36,791	*
All Directors and Executive Officers as a Group (10 persons) ⁽¹⁶⁾	1,419,076	22.6%

* Less than 1%.

- (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 Common Shares 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. Common Shares issuable upon the exercise or conversion of securities currently exercisable or convertible or exercisable or convertible within 60 days of March 6, 2012 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) Based upon a Schedule 13G/A filed with the SEC on February 9, 2004.
- (3) Based upon a Schedule 13G/A filed with the SEC on January 22, 2007. According to the Schedule 13G, Amivest Capital Management is an investment adviser and has sole power to vote the shares reported.
- (4) Based upon a Schedule 13D filed with the SEC on October 2, 2003.
- (5) Based upon a Schedule 13G/A filed with the SEC on February 14, 2012. According to the Schedule 13G/A, Dimensional Fund Advisors LP (Dimensional), is an investment advisor that furnishes investment advice to four investment companies, and serves as investment manager to certain other commingled group trusts and separate accounts. These investment companies, trusts and accounts are the Dimensional Funds. In certain cases, subsidiaries of Dimensional may act as an adviser or sub-adviser to certain Dimensional Funds. In its role as investment advisor, sub-adviser or manager, Dimensional possesses investment and/or voting power over the Common Shares that are owned by the Dimensional Funds, and may be deemed to be the beneficial owner of the Common Shares held by the Dimensional Funds. The Schedule 13G/A states that to Dimensional's knowledge, no one Dimensional Fund beneficially owns five percent or more of the Common Shares. Dimensional disclaims beneficial ownership of all of the Common Shares.
- (6) Includes 118,333 shares which Mr. Gorder has the right to acquire within 60 days of March 6, 2012 through the exercise of stock options. Also includes 5,000 Common Shares owned by his spouse and 14,000 Common Shares owned by his daughters. Mr. Gorder pledged 146,000 Common Shares and his spouse pledged 5,000 Common Shares as security for a loan. Mr. Gorder's business address is 1260 Red Fox Road, Arden Hills, MN 55112.
- (7) Includes 81,000 shares which Mr. McKenna has the right to acquire within 60 days of March 6, 2012 through the exercise of stock options.
- (8) Includes 75,000 shares which Mr. Masucci has the right to acquire within 60 days of March 6, 2012 through the exercise of stock options.
- (9) Includes 75,000 shares which Mr. Giordano has the right to acquire within 60 days of March 6, 2012 through the exercise of stock options.
- (10) Includes 45,000 shares which Mr. Seamon has the right to acquire within 60 days of March 6, 2012 through the exercise of stock options.
- (11) Includes 70,000 shares which Mr. Gonsior has the right to acquire within 60 days of March 6, 2012 through the exercise of stock options.
- (12) Includes 62,500 shares which Mr. Conger has the right to acquire within 60 days of March 6, 2012 through the exercise of stock options. Also includes 1,400 shares held by his wife through a retirement account.

- (13) Includes 70,000 shares which Mr. Geraci has the right to acquire within 60 days of March 6, 2012 through the exercise of s