INTRICON CORP
Form 10-K
March 12, 2014
Table of Contents

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

# FORM 10-K

(Mark one)

x ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013

or

o 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<br>Arden Hills, Minnesota<br>(Address of principal executive offices) | 55112<br>(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 o No x

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 o No x

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 x No o

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 x No o

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. x

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 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer o

Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company x
Indicate by check mark whether the registrant is a shell company (as defined by rule 12b-2 of the Act). Yes o No x

Table of Contents

The aggregate market value of the voting common shares held by non-affiliates of the registrant on June 30, 2013 was $17,438,322. 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 20, 2014 was 5,727,403.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company s definitive proxy statement for the 2014 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.

Table of Contents


| | | Page No. |
|---|---|---|
| PART I | | |
| Item 1. | Business | 4 |
| Item 1A. | Risk Factors | 11 |
| Item 1B. | Unresolved Staff Comments | 18 |
| Item 2. | Properties | 18 |
| Item 3. | Legal Proceedings | 18 |
| Item 4. | Mine Safety Disclosures | 19 |
| Item 4A. | Executive Officers of the Registrant | 19 |
| PART II | | |
| Item 5. | Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities | 20 |
| Item 6. | Selected Financial Data | 21 |
| Item 7. | Management s Discussion and Analysis of Financial Condition and Results of Operations | 23 |
| Item 7A. | Quantitative and Qualitative Disclosures About Market Risk | 34 |
| Item 8. | Financial Statements and Supplementary Data | 34 |
| Item 9. | Changes in and Disagreements with Accountants on Accounting and Financial Disclosure | 60 |
| Item 9A | Controls and Procedures | 60 |
| Item 9B. | Other Information | 60 |
| PART III | | |
| Item 10. | Directors, Executive Officers and Corporate Governance | 61 |
| Item 11. | Executive Compensation | 61 |
| Item 12. | Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters | 61 |
| Item 13. | Certain Relationships and Related Transactions, and Director Independence | 62 |
| Item 14. | Principal Accounting Fees and Services | 62 |
| PART IV | | |
| Item 15. | Exhibits, Financial Statement Schedules | 62 |
| SIGNATURES | | 67 |
| EXHIBIT INDEX | | 68 |

Table of Contents

# 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 com engaged in designing, developing, engineering and manufacturing body-worn devices. The Company serves the body-worn device market by designing, developing, engineering and manufacturing micro-miniature products, microelectronics, micro-mechanical assemblies and complete assemblies, primarily for bio-telemetry devices, hearing instruments and professional audio communication devices. The Company, headquartered in Arden Hills, Minnesota, has facilities in Minnesota, California, Maine, Singapore, Indonesia and Germany, and operates through subsidiaries. The Company is a Pennsylvania corporation formed in 1930. The Company 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 by approximately $3.0 million annually. 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 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 by approximately $3.0 million annually. 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, sold its remaining security and certain microphone and receiver businesses effective January 27, 2014; added experienced professionals in value hearing health; and focused more resources in medical biotelemetry. The sale of security, certain microphone and receivers businesses, which closed on January 27, 2014, marked the final milestone in the global strategic restructuring plan.

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.

***Major Events in 2012***

In August 2012, the Company sold its 50% interest in its Global Coils joint venture, to joint venture partner Audemars SA. Global Coils is in the business of marketing, designing, manufacturing, and selling audio coils to the hearing health industry. Audemars paid $426 in cash at closing and will make future recurring royalty payments as specified in the purchase agreement. Audemars also transferred certain hearing health inventory to IntriCon. The Company recorded a gain on the sale of $822, or $.14 per diluted share, in the gain on sale of investment in partnership line of the accompanying statement of operations.

***Major Events in 2011***

In October 2011, the Company announced it entered into a manufacturing agreement to become a supplier of hearing aids to hi HealthInnovations, a UnitedHealth Group company. hi HealthInnovations launched a suite of high-tech, lower-cost hearing devices for the estimated 36 million Americans with hearing loss. An estimated 75 to 80 percent of people in the United States who can benefit from hearing devices do not use them, largely due to the high cost. hi HealthInnovations is offering consumers technically advanced hearing aids, including those based on IntriCon s new APT Open in-the-canal (ITC) hearing aid platform. The Company devoted a considerable amount of time, resources and capital during 2011 to securing the agreement and preparing for the program s launch.

Table of Contents

During the second quarter of 2011, IntriCon established a subsidiary in Indonesia. During the third quarter of 2011, the Company signed a lease agreement for a manufacturing facility in Batam, Indonesia. The purpose of the expansion is to increase the Company s low cost manufacturing presence in Asia. The Company has been transferring labor intensive product assembly to the facility. The Company commenced manufacturing at the facility in October 2011.

**Market Overview:**

IntriCon serves the body-worn device market by designing, developing, engineering and manufacturing micro-miniature products, microelectronics, micro-mechanical assemblies and complete assemblies, primarily for bio-telemetry devices, hearing instruments and professional audio communication devices. 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 operation in Item 8. Management s Discussion and Analysis of Financial Condition and Results of Operations and Note 18 Revenue by Market to the Company s consolidated financial statements included herein.

*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 and manufacture 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 partnership 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 and sensors that measure glucose levels and deliver real-time blood glucose trend information. Along with the wireless glucose monitor, IntriCon also manufactures a variety of related accessories. During the 2013 third quarter, Medtronic received Food and Drug Administration (FDA) approval for their MiniMed 530G insulin pump. 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. We entered this market through an acquisition of Jon Barron, Inc. doing business as Datrix ( Datrix ). 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. The Company has contracts in place with lead customers for the Sirona platform and anticipates expanding that customer base in 2014.

IntriCon has a suite of medical coils and micro coils that it offers to various original equipment manufacturing (OEM) customers. These products are currently being 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.

Lastly, 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.

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 to expand its reach to other large medical device and health care companies.

*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 36 million hearing impaired individuals. This population is expected to grow significantly over the next ten years as the 65-year-old-plus age demographic is one of the fastest growing segments in the U.S., Europe and Japan. The current U.S. market penetration

into the hearing impaired population is approximately 20%. We believe the U.S. market penetration is low primarily due to the high costs to purchase a hearing device, consolidation at the retail level and inconveniences in the distribution channel. This has created the opportunity for alternative care models, such as the value hearing aid (VHA) channel and personal sound amplifier (PSAP) channel. To capitalize on these opportunities, IntriCon has increased its sales and marketing expertise and hired an industry veteran to help spearhead the company s efforts in the VHH market. The Company is aggressively pursuing larger customers who can benefit from our value proposition.

Table of Contents

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. The insurance model has been successfully demonstrated internationally, where several countries providing a full insurance program are serving 40% to 70% 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.

In personal sound amplifier products, the FDA has created a PSAP category, which includes ear worn devices that provide cost effective sound amplification. These devices 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.

We also believe there are niches in the conventional hearing health channel that will embrace our VHH proposition, as high costs of conventional devices constrain their growth potential. Additionally, we believe there is a large international market, most notably in the so-called BRIC countries (Brazil, Russia, India and China), for this type of product offering.

We believe IntriCon is very well positioned to serve these VHH market channels. 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. Our DSP devices provide better clarity and an improved ability to filter out background noise at attractive pricing points. We believe product platform introductions such as the Audion Amplifiers, APT and Lumen devices will drive market share gains into all channels of the emerging VHH market.

*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.

The Company sees great opportunity to market its situational listening devices (SLD s). Much like the PSAP devices, these devices are intended to help people hear in noisy environments like restaurants and automobiles, and listen to television, music, and direct broadcast by wireless connection. Such devices are intended to be supplements to conventional hearing aids, which do not handle those situations well. The SLD s will be based on our PhysioLink technology, which were demonstrated at the 2013 annual convention of the American Academy of Audiology. The product line consists of an earpiece, TV transmitter, companion microphone, iPod/iPhone transmitter, and USB transmitter. With the emergence of advanced parallel technologies in both the SLD and PSAP markets, the Company will likely shift recognition of many professional audio communications product sales into the value hearing health market in future years.

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), Ultra-Low-Power 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. The continued advancements in this area have allowed the Company to further enhance the mobility and effectiveness of miniature body-worn devices.

Table of Contents

*Ultra-Low-Power Digital Signal Processing*
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, newly developed DSP technologies are utilized in our recently unveiled Audion4 , our new four-channel hearing aid amplifier. The Audion4 is a feature-rich amplifier designed to fit a wide array of applications. In addition to multiple compression channels, the amplifier has a complete set of proven adaptive features which greatly improve the user experience.

*Ultra-Low-Power 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 large medical device and healthcare companies in the medical bio-telemetry and value hearing health markets outlined above. The Company believes this will allow us to advance our technology portfolio, advance new product platforms, strengthen customer relations and expand our market knowledge.

Currently, IntriCon sells its hearing instrument components directly to domestic hearing instrument manufacturers and distributors 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.

In 2013, one customer accounted for approximately 30 percent of the Company s net sales. During 2013, the top three customers accounted for approximately $24,000, or 41% percent, of the Company s net sales. See note 4 to the consolidated financial statements for a discussion of net sales and long-lived assets by geographic area.

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.

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.

Table of Contents

***Employees.*** As of December 31, 2013, the Company had a total of 572 full time equivalent employees, of whom 30 are executive and administrative personnel, 21 are sales personnel, 23 are engineering personnel and 498 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 $4,181, $4,481, and $4,486 in 2013, 2012 and 2011, respectively. These amounts are net of customer and grant reimbursed research and development. In 2013, the Company filed for a Minnesota research and development tax credit of $567, which lowered the research and development expenditure 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 and this has been substantiated with no findings cited during our most recent FDA audit in December of 2013.

*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.

Table of Contents

*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 , opti continue , estimate , intend , plan , would , could , guidance , potential , opportunity , project , forecast , confident , proje 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 the hi HealthInnovations program, the divestiture of its security and certain receiver and microphone business and its Global Coils joint venture interest, 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 impact 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 Internet site as part of the EDGAR database (http://www.sec.gov).

Table of Contents

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

Table of Contents

## 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 2013, our largest customer accounted for approximately 30 percent of our net sales and our three largest customers accounted for approximately 41 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, 2013, we had accounts receivable, less allowance for doubtful accounts, of $5,433, which represented approximately 40 percent of our shareholders equity as of that date. As of that date, two customers accounted for a combined total of 34 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.

**Royalties under the sale of our interest in the Global Coils joint venture may be less than estimated.**

In August 2012, the Company sold its 50% interest in its Global Coils joint venture, to its joint venture partner Audemars SA. The consideration for the sale included cash, inventory and royalty payments. Included in the gain on sale are the estimated royalty payments which the Company measured at fair value based on level 3 inputs which are considered unobservable inputs that are not corroborated by market data. The Company used future estimated cash flows discounted to their present value to calculate fair value. Actual royalty payments may differ from the Company s estimate which could adversely affect the Company s results of operations in future periods.

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

Our business has been negatively impacted by the recent domestic economic environment. 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 or renew it on terms that are favorable to us.

Table of Contents

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 with out such involvement. Actual or anticipated efforts by the Federal Reserve to taper or reduce quantitative easing could cause interest rates to rise, 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.

**Our operations could be adversely affected by changes in the federal budget.**

The federal government is under increasing pressure to reduce the budget deficit. This could result in a general reduction in U.S. healthcare and defense spending and could cause our customers to delay, reduce or cancel their purchases of our products. Future actions or inactions of the United States government, including a failure to increase the government debt limit, reductions in the size of the U.S budget, including automatic across-the-board budget cuts, or sequestrations, reductions in the Medicare and Medicaid programs, potential tax increases or a temporary shutdown of the federal government, could affect purchases by our customers, disrupt financial markets and adversely affect economic conditions generally, all of which could have a material adverse effect on our results of operation and financial condition.

**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.

**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 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. 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.

Table of Contents

**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 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 regulated 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.

Table of Contents

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

In 2013, we operated in Singapore, Indonesia and Germany. Approximately 17 percent of our revenues were derived from our facilities in these countries in 2013. As of December 31, 2013 approximately 28 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 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 may explore acquisitions that complement or expand our business. We may not be able to complete these transactions and these transactions, if executed, pose significant risks and may materially adversely affect our business, financial condition and operating results.**

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. Any transactions that we are able to identify and complete may involve a number of risks, including: the diversion of our management s attention from our existing business to integrate the operations and personnel of the acquired or combined business or joint venture; possible adverse effects on our operating results during the integration process; unanticipated liabilities; 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. In addition, future acquisitions 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, 2013, we had bank indebtedness of $8,481. 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 (see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources ) in the future or do not generate sufficient cash or complete such financings on a timely basis, 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.

**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.**

We were not in compliance with the fixed charge and leverage covenants under our credit facility as of December 31, 2013 and obtained a waiver from The PrivateBank. We also sought and received a further extension of the term of this facility until 2018 (See Item 8. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources ) . As part of the extension of the credit facility, we also sought and received revisions to our existing covenants. There can be no assurances that we will be able to maintain

compliance with the financial and other covenants in our domestic and foreign 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.

Table of Contents

**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, litigation with third parties, 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.

Table of Contents

**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.

**New regulations related to conflict minerals may impact our supply chain, increase the cost of certain metals used in manufacturing our products and/or cause us to incur additional expenses.**

Pursuant to the Dodd-Frank Act, the SEC promulgated final rules regarding disclosure of the use of certain minerals, known as conflict minerals : tantalum, tin, and tungsten (or their ores) and gold; which are mined from the Democratic Republic of the Congo and adjoining countries. We use some of these minerals in our products, particularly gold and tin. Under the rules, we will be required to determine the sources of any conflict minerals used in our products and to disclose the procedures we employ to make such determinations. We are required to file our first report for the 2013 calendar year in May 2014. There are costs associated with complying with the diligence and disclosure requirements, and there may be costs associated with remediation and other changes to products, processes, or sources of supply as a consequence of such verification activities. The implementation of these rules could adversely affect the sourcing, supply, and pricing of materials used in our products and cause our costs to rise. We cannot be sure that we will be able to obtain the necessary information on conflict minerals from our suppliers or that we will be able to determine that all of our products are conflict free. As a result, we may face reputational challenges if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to sufficiently verify the origins for all conflict minerals used in our products through the procedures we implement.

**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;

Table of Contents

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.

Further, under an agreement that we entered into with hi HealthInnovations, a UnitedHealth Group company, in connection with our manufacturing agreement, we are required to, among other things, offer to United Healthcare Services, Inc. the right to complete the acquisition of our company by a health insurer on the same terms and conditions and the right to participate in certain other sales of our company, all of which may have an anti-takeover effect. For more information, see our Current Report on Form 8-K filed with the SEC on November 14, 2011.

**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, 2013, we cannot guarantee that we will not have material weaknesses reported by our management 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.

Table of Contents

## ITEM 1B. Risk Factors

Not Applicable.

## ITEM 2. Properties

The Company leases seven facilities, four domestically and three 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 president and CEO of the Company and on the Company s Board of Directors. 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 $382. This lease expires in June 2016.
- one building in Camden, Maine, which contains a manufacturing facility and offices, and consists of a total of 25,000 square feet. Rent expense on the facility, including real estate taxes and other charges, that we are obligated to pay, until the lease expires in May 2014, is approximately $34.
- 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 $35. 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 is approximately $340. This lease expires in October 2015.
- 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 $4. 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 $39. This lease expires in June 2017.

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 and is being managed by a court appointed judiciary administrator. The Company may be subject to additional litigation or liabilities as a result of the French insolvency proceeding.

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.

Table of Contents

## ITEM 4. Mine Safety Disclosures

Not applicable.

## ITEM 4A. Executive Officers of the Registrant

The names, ages and offices (as of February 20, 2014) of the Company s executive officers were as follows:

| Name | Age | Position |
|---|---|---|
| Mark S. Gorder | 67 | President, Chief Executive Officer and Director of the Company |
| Scott Longval | 37 | Chief Financial Officer and Treasurer of the Company |
| Michael P. Geraci | 55 | Vice President, Sales and Marketing |
| Dennis L. Gonsior | 55 | Vice President, Global Operations |
| Greg Gruenhagen | 60 | 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.

Table of Contents

# 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:

| | 2013 Market Price Range | | 2012 Market Price Range | |
|---|---|---|---|---|
| Quarter | High | Low | High | Low |
| First | $ 5.45 | 4.00 | $ 7.50 | 5.53 |
| Second | 5.14 | 3.26 | 7.17 | 6.12 |
| Third | 4.70 | 2.75 | 6.57 | 3.91 |
| Fourth | 4.60 | 3.42 | 5.38 | 4.03 |

The closing sale price of the Company s common stock on February 20, 2014, was $4.80 per share.

At February 20, 2014 the Company had 294 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 2013, the Company did not sell any unregistered securities and did not repurchase any of its securities.

Table of Contents

## ITEM 6. Selected Financial Data

| Year Ended December 31 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Sales, net | $ 52,961 | $ 59,955 | $ 52,095 | $ 58,697 | $ 51,676 |
| Gross profit | 12,169 | 15,299 | 12,650 | 15,013 | 11,051 |
| Operating expenses | 13,507 | 13,231 | 12,709 | 13,419 | 11,681 |
| Interest Expense | (600) | (755) | (609) | (655) | (836) |
| Equity in income (loss) of partnerships | (262) | (116) | 174 | (135) | (150) |
| Gain on sale of investment in partnership | | 822 | | | |
| Other income (expense), net | 127 | (96) | 52 | (4) | (220) |
| Income (loss) from continuing operations before income taxes and discontinued operations | (2,073) | 1,923 | (442) | 800 | (1,836) |
| Income tax (expense) benefit | (217) | (164) | 160 | (145) | 34 |
| Income (loss) from continuing operations before discontinued operations | (2,290) | 1,759 | (282) | 655 | (1,802) |
| Gain on sale of discontinued operations, net of income taxes | | | | 35 | |
| Loss from discontinued operations, net of income taxes | (3,872) | (1,050) | (1,143) | (329) | (2,119) |
| Net income (loss) | $ (6,162) | $ 709 | $ (1,425) | $ 361 | $ (3,921) |
| Basic income (loss) per share: | | | | | |
| Continuing operations | $ (0.40) | $ 0.31 | $ (0.05) | $ 0.12 | $ (0.34) |
| Discontinued operations | (0.68) | (0.19) | (0.20) | (0.05) | (0.39) |
| Net income (loss) | $ (1.08) | $ 0.13 | $ (0.25) | $ 0.07 | $ 0.73 |
| Diluted income (loss) per share: | | | | | |
| Continuing operations | $ (0.40) | $ 0.30 | $ (0.05) | $ 0.12 | $ (0.34) |
| Discontinued operations | (0.68) | (0.18) | (0.20) | (0.05) | (0.39) |
| Net income (loss) | $ (1.08) | $ 0.12 | $ (0.25) | $ 0.07 | $ 0.73 |
| Weighted average number of shares outstanding during year: | | | | | |
| Basic | 5,699 | 5,669 | 5,599 | 5,484 | 5,394 |
| Diluted | 5,699 | 5,888 | 5,599 | 5,535 | 5,394 |

Table of Contents

**Other Financial Highlights**

| Year Ended December 31 | 2013 (c) | 2012 (c) | 2011 (c) | 2010 | 2009 (b) |
|---|---|---|---|---|---|
| Working Capital (a) | 5,978 | 8,893 | 8,207 | 8,615 | 8,504 |
| Total Assets | 32,720 | 39,132 | 40,730 | 36,267 | 37,363 |
| Long-term debt | 6,271 | 7,222 | 8,217 | 6,465 | 7,730 |
| Shareholders equity | 13,308 | 18,722 | 17,446 | 18,571 | 17,489 |
| Depreciations and amortization | 2,402 | 1,983 | 2,083 | 2,601 | 2,470 |

(a) Working capital is equal to current assets less current liabilities.
(b) In 2009, the Company exited the Electronic Products business, which consisted of the thermistor, film capacitor and magnetic products, and reclassified it as discontinued operations. Subsequently, in 2010 the Company completed the sale of the assets of the Electronic Products business.
(c) In 2013, the Company reclassified its security and certain microphone, and receiver businesses as discontinued operations. The Company revised its financial statements for 2011 and 2012 to reflect the discontinued operations.

Table of Contents

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

**Company Overview**

IntriCon Corporation, (the Company or IntriCon , we , us or our ) is an international firm engaged in the designing, developing, engineering manufacturing of body-worn devices. The Company serves the body-worn device market by designing, developing, engineering and manufacturing 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: medical, hearing health 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**

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 by approximately $3.0 million annually. 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, sold, effective January 27, 2014, its remaining security and certain microphone and receiver businesses; added experienced professionals in value hearing health; and focused more resources in medical biotelemetry. The sale of security, certain microphone and receivers businesses, which closed on January 27, 2014, marked the final milestone in the global strategic restructuring plan. The results of the Company have been revised to reflect discontinued operations.

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.

On February 14, 2014, the Company and its domestic subsidiaries entered into a Sixth Amendment to the Loan and Security Agreement and Waiver with The PrivateBank and Trust Company (refer to Note 7).

**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.

Table of Contents

**Results of Operations: 2013 Compared with 2012**

***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, 2013 and 2012:

| | | | Change | |
|---|---|---|---|---|
| | 2013 | 2012 | Dollars | Percent |
| Medical | $ 25,978 | $ 24,463 | $ 1,515 | 6.2% |
| Hearing Health | 19,739 | 23,806 | (4,067) | -17.1% |
| Professional Audio Communications | 7,244 | 11,686 | (4,442) | -38.0% |
| Consolidated Net Sales | $ 52,961 | $ 59,955 | $ (6,994) | -11.7% |

In 2013, we experienced a 6.2 percent increase in medical sales primarily driven by higher sales to Medtronic and other key medical customers. In September 2013, Medtronic obtained FDA approval for the 530G insulin pump system. As such, medical market sales strengthened in the 2013 fourth quarter as Medtronic ramped for its launch of the MiniMed 530G. With the approval, IntriCon expects medical sales to remain strong in 2014 as Medtronic continues to meet marketplace demand. Management believes an industry wide shift in 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 and manufacture 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, 2013 decreased 17.1 percent over the same period in 2012 primarily due to the reduced purchases by hi HealthInnovations and the continued softness in the conventional channel consistent with industry trends. As of mid-2012, we satisfied hi HealthInnovations initial product ramp-up needs and have received smaller orders since. hi HealthInnovations continues to make progress building the infrastructure to provide high-quality, affordable hearing health care to a broad range of customers. The Company remains optimistic about the progress made and the long term prospects of this market-changing program. 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. IntriCon believes it is very well positioned to serve these value hearing health market channels. IntriCon has contracted with an experienced hearing health veteran to help spearhead the Company s efforts in the value hearing aid (VHA) market. 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. Our DSP devices provide better clarity and an improved ability to filter out background noise at attractive pricing points. We believe product platform introductions such as the APT and Lumen devices will drive market share gains into all channels of the emerging value hearing health market.

Net sales to the professional audio device sector decreased 38.0 percent in 2013 compared to the same period in 2012. The decline was primarily due to the end of a Singapore government contract that was completed in 2012, the strategic decision to rationalize select non-core professional audio communications product lines, and the U.S. government sequestration and disruption associated with the federal government shutdown. Over the next few quarters, IntriCon anticipates additional revenue from contracts with the Singapore government. Additionally, we believe our extensive portfolio of communication devices that are portable, smaller and perform well in noisy or hazardous environments will provide future long-term growth in this market.

***Gross Profit***

Gross profit, both in dollars and as a percent of sales, for 2013 and 2012, were as follows:

| | 2013 | | 2012 | | Change | |
|---|---|---|---|---|---|---|
| | Dollars | Percent of Sales | Dollars | Percent of Sales | Dollars | Percent |
| Gross Profit | $ 12,169 | 23.0% | $ 15,299 | 25.5% | $ (3,130) | -20.5% |

24

Table of Contents

The 2013 gross profit decrease over the comparable prior year periods was primarily due to lower overall sales volumes partially offset by cost reductions from the global restructuring. Several of the activities associated with the Company s global strategic restructuring plan are focused on a reduction in overhead costs and increased product contribution margins, including: aggressively transferring specific product lines from Singapore to the Company s lower-cost manufacturing facility in Batam, Indonesia; reducing global administrative and support workforce; and transferring the medical coil business from the Company s Maine facility to Minnesota to better leverage existing manufacturing capacity. Gross margins rose towards the latter parts of 2013 and are expected to continue to improve and be strong into 2014.

***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, 2013 and 2012 were:

| | 2013 | | 2012 | | Change | |
|---|---|---|---|---|---|---|
| | Dollars | Percent of Sales | Dollars | Percent of Sales | Dollars | Percent |
| Sales and Marketing | $ 3,308 | 6.2% | $ 3,324 | 5.5% | $ (16) | -0.5% |
| General and Administrative | 5,789 | 10.9% | 5,426 | 9.1% | 363 | 6.7% |
| Research and Development | 4,181 | 7.9% | 4,481 | 7.5% | (300) | -6.7% |

Sales and marketing decreased slightly over the prior year due to reduced sales and related selling commissions. During the third quarter of 2013, the Company contracted with an experienced hearing health veteran to lead the Value Hearing Health strategic initiative. Management expects to focus more capital and resources in sales and marketing in the upcoming years to expand its reach in the medical bio-telemetry and value hearing health markets. General and administrative expenses increased over the prior year period primarily driven by increased stock based compensation and increased administrative bank fees compared to 2012. Research and development decreased over the prior year primarily due to research and development tax credit refunds filed of $567 and the global restructure plan, partially offset by higher outside service costs.

***Restructuring charges***

During 2013, the Company incurred charges of $229, primarily related to employee termination severance costs, from the restructuring of its continuing operations. 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 by approximately $3.0 million annually. In the future, the Company expects to incur approximately $50 to $100 in additional cash charges related to employee termination and moving costs.

***Interest Expense***

Interest expense for 2013 was $600, a decrease of $155 from $755 in 2012. The decrease in interest expense was primarily due to lower average debt balances compared to the prior year.

***Equity in Loss of Partnerships***

The equity in loss of partnerships for 2013 was $262 compared to $116 in 2012.

The Company recorded a $204 decrease in the carrying amount of its investment in the Hearing Instrument Manufacturers Patent Partnership ( HIMPP ) for 2013, reflecting amortization of the patents and other intangibles and the Company s portion of the partnership s operating results for the year ended December 31, 2013, compared to a $166 decrease in the carrying amount of the investment in 2012 for the amortization of the patents and other intangibles and the Company s portion of the partnership s operating results for the year ended December 31, 2012. Also, in 2013 the Company paid $58 in operating expenses for HIMPP compared to $50 in 2012.

Prior to the sale of the Global Coils joint venture interest in 2012, the Company recorded a $50 increase in the carrying amount of IntriCon s investment in this joint venture, reflecting the Company s portion of the joint venture s operating results for year ended December 31, 2012, respectively.

Table of Contents

***Gain on Sale of Investment in Partnership***

In August 2012, the Company sold its 50% interest in its Global Coils joint venture, to its joint venture partner Audemars SA. The Global Coils joint venture is in the business of marketing, designing, manufacturing, and selling audio coils to the hearing health industry. Audemars paid $426 in cash at closing and will make future payments, both one time and recurring, as specified in the purchase agreement. Audemars also transferred certain hearing health inventory to IntriCon. The Company recorded a gain on the sale of $822 in the gain on sale of investment in partnership line of the accompanying statement of operations.

The net gain was computed as follows:

| | | |
|---|---|---|
| Cash proceeds | $ | 426 |
| Receivables | | 721 |
| Inventory | | 186 |
| Net assets disposed | | (486) |
| Transaction costs | | (25) |
| Gain on sale | $ | 822 |

No portion of this gain was recognized in 2013.

***Other Income (Expense), net***

In 2013, other income (expense), net was $127 compared to $ (96) in 2012 primarily related to the gain (loss) on foreign currency exchange.

***Income Tax*** **Expense**

Income taxes were as follows:

| | 2013 | 2012 |
|---|---|---|
| Income tax expense | $ (217) | $ (164) |
| Percentage of income tax expense of income from continuing operations before income taxes and discontinued operations | -10.5% | -8.5% |

The expense in 2013 and 2012 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, minimal income tax expense from the current period domestic operations was recognized. Our deferred tax asset related to the NOL carry forwards has been offset by a full valuation allowance. We estimate we have approximately $22,997 of NOL carry forwards available to offset future federal income taxes that begin to expire in 2022.

***Loss from Discontinued Operations***

Loss from discontinued operations, net of income taxes, for the year ended December 31, 2013 was $3,872 compared to a loss of $1,050 for the year ended December 31, 2012. The increase in the loss was driven by decreased sales to the U.S. government due to the sequestration and disruption associated with the federal government shutdown. Also, included in the net loss for the year ended December 31, 2013 was $1,700 in impairment charges.

**Results of Operations: 2012 Compared with 2011**

***Consolidated Net Sales***

Below is a recap of our sales by main markets for the years ended December 31, 2012 and 2011:

| | | | Change | |
|---|---|---|---|---|
| **Year Ended December 31** | **2012** | **2011** | **Dollars** | **Percent** |

| | | | | |
|---|---|---|---|---|
| Medical | $ 24,463 | $ 22,923 | $ 1,540 | 6.7% |
| Hearing Health | 23,806 | 21,032 | 2,774 | 13.2% |
| Professional Audio Communications | 11,686 | 8,140 | 3,546 | 43.6% |
| Consolidated Net Sales | $ 59,955 | $ 52,095 | $ 7,860 | 15.1% |

Table of Contents

In 2012, we experienced a 6.7% increase in medical sales primarily driven by higher sales to Medtronic and other key medical customers.

Net sales in our hearing health business for the year ended December 31, 2012 increased 13.2% over the same period in 2012 driven by sales to hi HealthInnovations and sales into the nontraditional VHH hearing health market. These gains were partially offset by temporary declines in legacy products.

Net sales to the professional audio device sector increased 43.6% in 2012 compared to the same period in 2011. The significant increase over the prior year was due the fulfillment of a large headset contract with the Singapore government, providing technically advanced headsets to be worn in difficult listening environments.

***Gross Profit***

Gross profit, both in dollars and as a percent of sales, for 2012 and 2011, were as follows:

| | 2012 | | 2011 | | Change | |
|---|---|---|---|---|---|---|
| **Year Ended December 31** | **Dollars** | **Percent of Sales** | **Dollars** | **Percent of Sales** | **Dollars** | **Percent** |
| Gross Profit | $ 15,299 | 25.5% | $ 12,650 | 24.3% | $ 2,649 | 20.9% |

In 2012, gross profit increased primarily due to greater sales across our three core markets, partially offset by infrastructure costs in Asia and an unfavorable product mix in our professional audio communications market. The Company further expanded its low-cost manufacturing capabilities during the year. The continued ramp-up of the Company s Indonesian facility provides low-cost manufacturing options to drive ongoing margin improvement and the ability to pursue additional high-volume manufacturing opportunities. In addition, the Company increased the medical manufacturing infrastructure at its Singapore facility to support the transfer of certain medical business.

***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, 2012 and 2011 were:

| | 2012 | | 2011 | | Change | |
|---|---|---|---|---|---|---|
| **Year Ended December 31** | **Dollars** | **Percent of Sales** | **Dollars** | **Percent of Sales** | **Dollars** | **Percent** |
| Sales and Marketing | $ 3,324 | 5.5% | $ 3,185 | 6.1% | $ 139 | 4.4% |
| General and Administrative | 5,426 | 9.1% | 5,038 | 9.7% | 388 | 7.7% |
| Research and Development | 4,481 | 7.5% | 4,486 | 8.6% | (5) | -0.1% |

Sales and marketing increased over the prior year due to increased sales and related selling commissions and a headcount addition in late 2012. General and administrative expenses increased over the prior year period primarily driven by increased stock based compensation as compared to 2011. Research and development stayed relatively flat year-over-year.

***Interest Expense***

Interest expense for 2012 was $755, an increase of $146 from $609 in 2011. The increase in interest expense was primarily due to higher average debt balances and higher interest rates as compared to the prior year.

***Equity in Income (Loss) of Partnerships***

The equity in income (loss) of partnerships for 2012 was $ (116) compared to $174 in 2011.

The Company recorded a $166 decrease in the carrying amount of its investment in the Hearing Instrument Manufacturers Patent Partnership ( HIMPP ) for 2012, reflecting amortization of the patents and other intangibles and the Company s portion of the partnership s operating results for the year ended December 31, 2012, compared to a $34 decrease in the carrying amount of the investment in 2011 for the amortization of the patents and other intangibles and the Company s portion of the partnership s operating results for the year ended December 31, 2011.

27

Table of Contents

Prior to the sale of the Global Coils joint venture interest in 2012, the Company recorded a $50 and $208 increase in the carrying amount of IntriCon s investment in this joint venture, reflecting the Company s portion of the joint venture s operating results for year ended December 31, 2012 and 2011, respectively.

***Gain on Sale of Investment in Partnership***

In August 2012, the Company sold its 50% interest in its Global Coils joint venture, to its joint venture partner Audemars SA. The Global Coils joint venture is in the business of marketing, designing, manufacturing, and selling audio coils to the hearing health industry. Audemars paid $426 in cash at closing and will make future payments, both one time and recurring, as specified in the purchase agreement. Audemars also transferred certain hearing health inventory to IntriCon. The Company recorded a gain on the sale of $822 in the gain on sale of investment in partnership line of the accompanying statement of operations.

The net gain was computed as follows:

| | |
|---|---|
| Cash proceeds | $ 426 |
| Receivables | 721 |
| Inventory | 186 |
| Net assets disposed | (486) |
| Transaction costs | (25) |
| Gain on sale | $ 822 |

***Other Income (Expense), net***

In 2012, other income (expense), net was $(96) compared to $52 in 2011, primarily related to the gain (loss) on foreign currency exchange.

***Income Tax (Expense) Benefit***

Income taxes were as follows:

| | 2012 | 2011 |
|---|---|---|
| Income tax (expense) benefit | $ (164) | $ 160 |
| Percentage of income tax (expense) benefit of income from continuing operations before income taxes and discontinued operations | -8.53% | -36.20% |

The (expense) benefit in 2012 and 2011 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, minimal income tax expense from the current period domestic operations was recognized. 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, 2012 was $1,050 compared to $1,143 for the year ended December 31, 2011. The losses were comparable year-over-year.

**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, including product offerings under our hi HealthInnovations agreement.

As of December 31, 2013, we had approximately $217 of cash on hand. Sources and uses of our cash for the year ended December 31, 2013 have been from our operations, as described below.

28

Table of Contents

Consolidated net working capital decreased to $5,978 at December 31, 2013 from $8,893 at December 31, 2012. 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, 2013 | December 31, 2012 | December 31, 2011 |
|---|---|---|---|
| Cash provided by (used in): | | | |
| Operating activities | $ 2,674 | $ 2,006 | $ (3) |
| Investing activities | (930) | (1,109) | (2,582) |
| Financing activities | (1,763) | (799) | 2,420 |
| Effect of exchange rate changes on cash | 11 | 8 | 3 |
| Increase (decrease) in cash | $ (8) | $ 106 | $ (162) |

***Operating Activities*.** The most significant items that contributed to the $2,674 of cash provided by continuing operations were increases in accounts payable and decreases in inventory, receivables, and other assets. Days sales in inventory decreased from 78 at December 31, 2012 to 76 at December 31, 2013. Days payables outstanding increased from 39 days at December 31, 2012 to 50 days at December 31, 2013. Day sales outstanding decreased from 38 days at December 31, 2012 to 33 days at December 31, 2013.

***Investing Activities***. Net cash used by investing activities consisted of purchases of property, plant and equipment of $930 primarily related to the infrastructure investment at our Asian facilities.

***Financing Activities***. Net cash used by financing activities of $1,763 was comprised primarily of repayments of borrowings under our credit facilities, partially offset by proceeds of new borrowings.

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, 2013 | December 31, 2012 |
|---|---|---|
| Total borrowing capacity under existing facilities | $ 11,051 | $ 13,233 |
| | | |
| Facility Borrowings: | | |
| Domestic revolving credit facility | 4,450 | 4,360 |
| Domestic term loan | 2,750 | 3,750 |
| Foreign overdraft and letter of credit facility | 1,281 | 1,795 |
| Total borrowings and commitments | 8,481 | 9,905 |
| | | |
| Remaining availability under existing facilities | $ 2,570 | $ 3,328 |

*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 $4,000.

Table of Contents

In February 2014, the Company and its domestic subsidiaries entered into a Sixth Amendment to the Loan and Security Agreement and Waiver with The PrivateBank and Trust Company. The amendment, among other things:

- § extended the term loan and revolving loan maturity date to February 28, 2018, keeping the existing term loan amortization schedule in place;
- § increased the eligible accounts receivable borrowing percentage from eighty percent to eight-five percent for all eligible accounts other than two specific customers which will be ninety percent. Under the revolving credit facility as amended, the availability of funds depends on a borrowing base composed of stated percentages of the Company s eligible trade receivables and inventory, less a reserve;
- § amended the applicable base rate margin, applicable LIBOR rate margin, applicable LOC fee and applicable non-use fee based on the then applicable leverage ratio;
- § amended the funded debt to EBITDA and fixed charge coverage covenants;
- § revised the definition of net income.
- § approved the application of net proceeds from the IntriCon Tibbetts asset sale against amounts outstanding under the revolving credit facility; and
- § waived certain financial covenant defaults as of December 31, 2013.

As part of the Sixth Amendment as described above, the term loan and the revolving loan maturity date has been extended to February 28, 2018. As a result, all of the borrowings under this agreement have been characterized as either a current or long-term liability on our balance sheet.

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 2.75% - 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 4.30%, 4.52%, and 3.93% for 2013, 2012, and 2011, respectively.

The outstanding balance of the revolving credit facility was $4,450 and $4,360 at December 31, 2013 and 2012, respectively. The total remaining availability on the revolving credit facility was approximately $1,682 and $2,689 at December 31, 2013 and 2012, respectively.

The outstanding principal balance of the term loan, as amended, continues to be payable in quarterly installments of $250. Any remaining principal and accrued interest is payable on February 28, 2018. 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 not in compliance with the fixed charge and leverage covenants under the credit facility as of December 31, 2013 and obtained a waiver from The PrivateBank as part of the Sixth Amendment.

Table of Contents

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 2011, 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 $5,500, 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 4.33% - 4.62%. The interest rate swaps, which are considered derivative instruments, expire on August 13, 2014. Interest rate swaps of $22 and $92 are reported in the consolidated balance sheets at fair value in other current liabilities at December 31, 2013 and 2012.

*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 a $2,169 line of credit. The international credit agreement was modified in August 2010 and again in August 2011 to allow for an additional total of $736 in borrowing under the existing base to fund the Singapore facility relocation, Batam facility construction and various other capital needs with varying due dates from 2013 to 2015. 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 3.95% and 3.89% for the years ended December 31, 2013 and 2012. The outstanding balance was $1,281 and $1,795 at December 31, 2013 and 2012, respectively. The total remaining availability on the international senior secured credit agreement was approximately $888 and $639 at December 31, 2013 and 2012, respectively.

We believe that funds expected to be generated from operations, the available borrowing capacity through our revolving credit loan facilities and the 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 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, 2013.

| Contractual Obligations | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More than 5 Years |
|---|---|---|---|---|---|
| Domestic credit facility | $ 4,450 | $ | $ | $ 4,450 | $ |
| Domestic term loan | 2,750 | 1,000 | 1,750 | | |

| | | | | | |
|---|---|---|---|---|---|
| Foreign overdraft and letter of credit facilty | 1,281 | 1,210 | 71 | | |
| Pension and other post retirement benefit obligations | 932 | 122 | 229 | 209 | 371 |
| Operating leases | 4,098 | 1,476 | 2,573 | 49 | |
| Total contractual obligations | $ 13,511 | $ 3,808 | $ 4,623 | $ 4,708 | $ 371 |

Table of Contents

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 $42, $177 and $17 in 2013, 2012 and 2011, 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, 2013 other than the operating leases disclosed above.

**Related Party Transactions**

For a discussion of related party transactions, see Note 15 to the Company s consolidated financial statements included herein.

**Litigation**

For a discussion of litigation, see Item 3. Legal Proceedings and Note 14 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.

Table of Contents

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 2013 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 work 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. Due to the restructuring plan that took effect in June of 2013 (see Note 2), goodwill of $515 was written off due to the impairment of the Maine and Singapore discontinued operations. The Company concluded that no further impairment of goodwill or intangible assets existed as of November 30, 2013.

***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.

33

Table of Contents

## 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, 2013, using criteria set forth in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Company s management believes that, as of December 31, 2013, 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 (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.

Table of Contents

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, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), shareholders equity and cash flows for the years ended December 31, 2013, 2012 and 2011. 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, 2013 and 2012 and the results of their operations and cash flows for the years ended December 31, 2013, 2012 and 2011, in conformity with accounting principles generally accepted in the United States of America.

/s/ Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
March 12, 2014

Table of Contents

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

| Year Ended December 31 | 2013 | 2012 | 2011 |
|---|---|---|---|
| Sales, net | $ 52,961 | $ 59,955 | $ 52,095 |
| Cost of sales | 40,792 | 44,656 | 39,445 |
| Gross profit | 12,169 | 15,299 | 12,650 |
| | | | |
| Operating expenses: | | | |
| Sales and marketing | 3,308 | 3,324 | 3,185 |
| General and administrative | 5,789 | 5,426 | 5,038 |
| Research and development | 4,181 | 4,481 | 4,486 |
| Restructuring charges (Note 3) | 229 | | |
| Total operating expenses | 13,507 | 13,231 | 12,709 |
| Operating income (loss) | (1,338) | 2,068 | (59) |
| | | | |
| Interest expense | (600) | (755) | (609) |
| Equity in income (loss) of partnerships | (262) | (116) | 174 |
| Gain on sale of investment in partnership | | 822 | |
| Other income (expense), net | 127 | (96) | 52 |
| Income (loss) from continuing operations before income taxes and discontinued operations | (2,073) | 1,923 | (442) |
| | | | |
| Income tax expense (benefit) | 217 | 164 | (160) |
| Income (loss) before discontinued operations | (2,290) | 1,759 | (282) |
| | | | |
| Loss from discontinued operations, net of income taxes (Note 2) | (3,872) | (1,050) | (1,143) |
| | | | |
| Net income (loss) | $ (6,162) | $ 709 | $ (1,425) |
| | | | |
| Basic income (loss) per share: | | | |
| Continuing operations | $ (0.40) | $ 0.31 | $ (0.05) |
| Discontinued operations | (0.68) | (0.19) | (0.20) |
| Net income (loss) per share: | $ (1.08) | $ 0.13 | $ (0.25) |
| | | | |
| Diluted income (loss) per share: | | | |
| Continuing operations | $ (0.40) | $ 0.30 | $ (0.05) |
| Discontinued operations | (0.68) | (0.18) | (0.20) |
| Net income (loss) per share: | $ (1.08) | $ 0.12 | $ (0.25) |
| | | | |
| Average shares outstanding: | | | |
| Basic | 5,699 | 5,669 | 5,599 |
| Diluted | 5,699 | 5,888 | 5,599 |

(See accompanying notes to the consolidated financial statements)

Table of Contents

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

| | Year Ended December 31 | | |
|---|---|---|---|
| | **2013** | **2012** | **2011** |
| Net income (loss) | $ (6,162) | $ 709 | $ (1,425) |
| Change in fair value of interest rate swap | 69 | 1 | (93) |
| Gain (loss) on foreign currency translation adjustment | 2 | (13) | (60) |
| Comprehensive income (loss) | $ (6,091) | $ 697 | $ (1,578) |

(See accompanying notes to the consolidated financial statements)

Table of Contents

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

| At December 31, | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Current assets: | | |
| Cash | $ 217 | $ 225 |
| Restricted cash | 568 | 563 |
| Accounts receivable, less allowance for doubtful accounts of $124 at December 31, 2013 and $154 at December 31, 2012 | 5,433 | 6,877 |
| Inventories | 9,400 | 10,431 |
| Other current assets | 1,337 | 1,424 |
| Current assets of discontinued operations | 382 | 1,040 |
| Total current assets | 17,337 | 20,560 |
| | | |
| Property, plant, and equipment | 33,971 | 33,577 |
| Less: Accumulated depreciation | 29,232 | 27,578 |
| Net machinery and equipment | 4,739 | 5,999 |
| | | |
| Goodwill | 9,194 | 9,709 |
| Investment in partnerships | 569 | 773 |
| Other assets, net | 749 | 1,260 |
| Other assets of discontinued operations | 132 | 831 |
| Total assets | $ 32,720 | $ 39,132 |
| | | |
| Current liabilities: | | |
| Checks written in excess of cash | $ 279 | $ 637 |
| Current maturities of long-term debt | 2,210 | 2,945 |
| Accounts payable | 5,037 | 4,015 |
| Accrued salaries, wages and commissions | 1,676 | 1,644 |
| Deferred gain | 110 | 110 |
| Other accrued liabilities | 1,893 | 2,143 |
| Liabilities of discontinued operations | 154 | 173 |
| Total current liabilities | 11,359 | 11,667 |
| | | |
| Long-term debt, less current maturities | 6,271 | 7,222 |
| Other postretirement benefit obligations | 531 | 590 |
| Accrued pension liabilities | 839 | 510 |
| Deferred gain | 165 | 275 |
| Other long-term liabilities | 247 | 146 |
| Total liabilities | 19,412 | 20,410 |
| Commitments and contingencies (Note 14) | | |
| | | |
| Shareholders equity: | | |
| Common stock, $1.00 par value per share; 20,000 shares authorized; 5,727 and 5,687 shares issued and outstanding at December 31, 2013 and December 31, 2012, respectively | 5,727 | 5,687 |
| Additional paid-in capital | 16,434 | 15,797 |
| Accumulated deficit | (8,522) | (2,360) |
| Accumulated other comprehensive loss | (331) | (402) |
| Total shareholders equity | 13,308 | 18,722 |
| Total liabilities and shareholders equity | $ 32,720 | $ 39,132 |

(See accompanying notes to the consolidated financial statements)

Table of Contents

**INTRICON CORPORATION**
**Consolidated Statements of Cash Flows**
**(In Thousands)**

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net income (loss) | $ (6,162) | $ 709 | $ (1,425) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 2,450 | 2,150 | 2,258 |
| Stock-based compensation | 532 | 414 | 214 |
| Loss on impairment of long-lived assets and goodwill of discontinued operations | 1,700 | | |
| Loss on disposition of property | 4 | 36 | 8 |
| Change in deferred gain | (110) | (110) | (110) |
| Change in allowance for doubtful accounts | (30) | (69) | 4 |
| Equity in (income) loss of partnerships | 262 | 116 | (174) |
| Gain on sale of investment in partnership | | (822) | |
| Deferred income taxes | | (7) | (169) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | 1,327 | 1,555 | (354) |
| Inventories | 1,221 | 789 | (3,391) |
| Other assets | 500 | (972) | (303) |
| Accounts payable | 1,066 | (2,252) | 3,155 |
| Accrued expenses | (26) | 240 | 376 |
| Other liabilities | (60) | 229 | (92) |
| Net cash provided by (used in) operating activities | 2,674 | 2,006 | (3) |
| | | | |
| Cash flows from investing activities: | | | |
| Proceeds from sale of property, plant and equipment | 39 | | |
| Proceeds from sale of investment in partnership | | 626 | |
| Purchases of property, plant and equipment | (969) | (1,735) | (2,582) |
| Net cash used in investing activities | (930) | (1,109) | (2,582) |
| | | | |
| Cash flows from financing activities: | | | |
| Proceeds from long-term borrowings | 15,332 | 17,269 | 16,685 |
| Repayments of long-term borrowings | (16,863) | (18,211) | (14,145) |
| Proceeds from employee stock purchases and exercise of stock options | 145 | 159 | 230 |
| Payments of partnership payable | | (240) | (260) |
| Change in restricted cash | (18) | (17) | (77) |
| Change in checks written in excess of cash | (359) | 241 | (13) |
| Net cash (used in) provided by financing activities | (1,763) | (799) | 2,420 |
| | | | |
| Effect of exchange rate changes on cash | 11 | 8 | 3 |
| | | | |
| Net (decrease) increase in cash | (8) | 106 | (162) |
| Cash, beginning of period | 225 | 119 | 281 |
| | | | |
| Cash, end of period | $ 217 | $ 225 | $ 119 |

(See accompanying notes to the consolidated financial statements)

Table of Contents

**INTRICON CORPORATION**
**Consolidated Statements of Shareholders Equity**
**(In Thousands)**

| | Common Stock Number of Shares | Common Stock Amount | Additional Paid-in Capital | Retained Deficit | Accumulated Other Comprehensive Loss | Treasury Stock | Total Shareholders Equity |
|---|---|---|---|---|---|---|---|
| Balance December 31, 2010 | 6,073 | $ 6,073 | $ 15,644 | $ (1,644) | $ (237) | $ (1,265) | $ 18,571 |
| Exercise of stock options | 69 | 69 | 91 | | | | 160 |
| Shares issued under the ESPP | 17 | 17 | 53 | | | | 70 |
| Shares issued in lieu of cash for services | 3 | 3 | 6 | | | | 9 |
| Stock option expense | | | 214 | | | | 214 |
| Retirement of Treasury Shares | (516) | (516) | (749) | | | 1,265 | |
| Net Income (loss) | | | | (1,425) | | | (1,425) |
| Comprehensive income (loss) | | | | | (153) | | (153) |
| Balance December 31, 2011 | 5,646 | $ 5,646 | $ 15,259 | $ (3,069) | $ (390) | $ | $ 17,446 |
| Exercise of stock options | 20 | 20 | 30 | | | | 50 |
| Shares issued under the ESPP | 20 | 20 | 89 | | | | 109 |
| Shares issued in lieu of cash for services | 1 | 1 | 5 | | | | 6 |
| Stock option expense | | | 414 | | | | 414 |
| Net Income (loss) | | | | 709 | | | 709 |
| Comprehensive income (loss) | | | | | (12) | | (12) |
| 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 Income (loss) | | | | (6,162) | | | (6,162) |
| Comprehensive income (loss) | | | | | 71 | | 71 |
| Balance December 31, 2013 | 5,727 | $ 5,727 | $ 16,434 | $ (8,522) | $ (331) | $ | $ 13,308 |

(See accompanying notes to the consolidated financial statements)

Table of Contents

**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) (referred to as the Company, we, us or our) is an international company engaged in designing, developing, engineering and manufacturing body-worn devices. The Company serves the body-worn device market by designing, developing, engineering and manufacturing micro-miniature products, microelectronics, micro-mechanical assemblies and complete assemblies, primarily for bio-telemetry devices, hearing instruments and professional audio communication devices. In addition to its operations in Minnesota, the Company has facilities in California, Maine, Singapore, Indonesia 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 is in the process of disposing 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.

**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** Management of the Company has made a number of 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 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. 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.

**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 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 of foreign subsidiaries.

Table of Contents

**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.

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

**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 $2,214, $1,759, and $1,824 for the years ended December 31, 2013, 2012, and 2011, respectively. Refer to Note 2 for loss on impairment of long lived assets during 2013.

**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. To date, the Company has determined that no impairment of long-lived assets from continuing operations exists.

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 2013 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 work 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. As part of the global restructuring plan that commenced in June of 2013 (see Note 2), goodwill of $515 was determined to be impaired as of June 30, 2013 and is included in the loss from discontinued operations in the consolidated statement of operations. The Company has concluded that no additional impairment of goodwill or intangible assets existed as of November 30, 2013.

**Other assets, net** The principal amounts included in other assets, net are a prepaid technology fee, debt issuance costs, and a technology fee. The debt issuance costs are being amortized over the related term utilizing the 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 $35, $136, and $142 for the years ended December 31, 2013, 2012, and 2011, respectively. Amortization expense was $204, $229, and $264 for the years ended December 31, 2013, 2012, and 2011, 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 and records the investment at the amount the Company paid for its initial investment and adjusts for the Company s share of the investee s income or loss and dividends paid. The partnership interests 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 and operating loss 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 Company recognizes accrued interest and penalties related to uncertain tax positions in income tax expense. At December 31, 2013, 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 tax returns are potentially open to examinations for fiscal years 2009-2013 and state tax returns are potentially open to examination for the fiscal years 2008-2013.

Table of Contents

**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 from one to three years, and have a maximum term of 10 years. Options issued to directors vest from one to three 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 12 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. The following table presents changes in the Company s warranty liability for the years ended December 31, 2013, 2012 and 2011.

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Beginning balance | $ 73 | $ 82 | $ 105 |
| Warranty expense | 123 | 42 | 27 |
| Closed warranty claims | (124) | (51) | (50) |
| Ending balance | $ 72 | $ 73 | $ 82 |

**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 $4,181, $4,481, and $4,486 in 2013, 2012 and 2011, 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 filed with the state of Minnesota as a reduction to research and development expense.

Table of Contents

**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 $352, $336 and $266 for the years ended December 31, 2013, 2012 and 2011, 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 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. 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 shareholders equity.

**Derivative Financial Instruments** When deemed appropriate, the Company enters into derivative instruments. We do 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. Changes in the fair value of derivative financial instruments are recognized periodically in shareholders equity as a component of accumulated other comprehensive income (loss). Generally, changes in fair values of derivatives accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in accumulated other comprehensive income (loss), net of tax or, if ineffective, on the consolidated statements of operations.

**New Accounting Pronouncements**

In February 2013, the FASB expanded the disclosure requirements with respect to changes in accumulated other comprehensive income (AOCI). Under this new guidance, companies will be required to disclose the amount of income (or loss) reclassified out of AOCI to each respective line item on the statements of earnings where net income is presented. The guidance allows companies to elect whether to disclose the reclassification either in the notes to the financial statements or parenthetically on the face of the financial statements.. Since the accounting guidance only impacts disclosure requirements, its adoption did not have a material impact on the Company s consolidated financial statements.

In March 2013, the FASB issued updated guidance to resolve diversity in practice concerning the release of the cumulative foreign currency translation adjustment into net income when a parent sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets within a foreign entity. When a company ceases to have a controlling financial interest in a subsidiary within a foreign entity, the company should recognize any related cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary had resided. Upon the partial sale of an equity method investment that is a foreign entity, the company should release into earnings a pro rata portion of the cumulative translation adjustment. Upon the partial sale of an equity method investment that is not a foreign entity, the company should release into earnings the cumulative translation adjustment if the partial sale represents a complete or substantially complete liquidation of the foreign entity that holds the equity method investment. The updated guidance is effective for the quarter ending March 31, 2014. The adoption of this guidance is not expected to have a material effect on the Company's results of operations, financial position or liquidity.

**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 businesses and subsequent to year-end, on January 27, 2014, the Company completed the sale of these assets to Sierra Peaks Corporation, pursuant to an Asset Purchase Agreement. Therefore, the Company has classified its security, certain microphone and receiver businesses as discontinued operations for financial reporting purposes in all periods presented.

Table of Contents

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.

The following table shows the assets and liabilities of the Company s discontinued operations at December 31, 2013 and December 31, 2012.

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Cash | $ 4 | $ 1 |
| Accounts receivable, net | 350 | 294 |
| Inventory, net | 26 | 686 |
| Other current assets | 2 | 59 |
| Current assets of discontinued operations | $ 382 | $ 1,040 |
| | | |
| Property and equipment, net | 131 | 785 |
| Other assets | 1 | 46 |
| Other assets of discontinued operations | $ 132 | $ 831 |
| | | |
| Accounts payable | 70 | 31 |
| Accrued compensation and other liabilities | 84 | 142 |
| Current liabilities of discontinued operations | $ 154 | $ 173 |

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

| | Year Ended | | |
|---|---|---|---|
| | December 31, 2013 | December 31, 2012 | December 31, 2011 |
| Sales, net | $ 2,480 | $ 4,242 | $ 3,964 |
| Operating costs and expenses | (4,693) | (5,310) | (5,097) |
| Loss on impairment | (1,700) | | 0 |
| Operating loss | (3,913) | (1,068) | (1,133) |
| Other income (expenses), net | 41 | 18 | (10) |
| Net loss from discontinued operations | $ (3,872) | $ (1,050) | $ (1,143) |

Table of Contents

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 12 months ended December 31, 2013 as set forth in the table below. These charges were reflected in the Company s discontinued operations.

| | 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 2013, the Company incurred charges of $229, primarily related to employee termination benefits, from the restructuring of its continuing operations. In the future, the Company expects to incur approximately $50 to $100 in additional cash charges related to employee termination and moving costs.

**4. GEOGRAPHIC INFORMATION**

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

**Long-lived Assets**

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| United States | $ 3,402 | $ 4,496 |
| Other primarily Singapore and Indonesia | 1,337 | 1,503 |
| Consolidated | $ 4,739 | $ 5,999 |

Long-lived assets consist of property and equipment and certain other assets as they are difficult to move and relatively illiquid. 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 2013 | 2012 | 2011 |
|---|---|---|---|
| United States | $ 36,902 | $ 41,038 | $ 36,216 |

| | | | |
|---|---|---|---|
| Germany | 1,234 | 1,986 | 1,979 |
| China | 3,268 | 2,790 | 1,745 |
| Switzerland | 1,259 | 1,127 | 1,118 |
| Singapore | 406 | 3,326 | 715 |
| France | 1,734 | 1,480 | 1,424 |
| Japan | 1,442 | 1,190 | 1,457 |
| United Kingdom | 1,487 | 2,203 | 1,478 |
| Turkey | 322 | 692 | 766 |
| Hong Kong | 682 | 510 | 915 |
| Vietnam | 1,325 | 1,219 | 1,110 |
| All other countries | 2,900 | 2,394 | 3,172 |
| Consolidated | $ 52,961 | $ 59,955 | $ 52,095 |

Table of Contents

Geographic net sales are allocated based on the location of the customer. All other countries include net sales primarily to various countries in Europe and in the Asian Pacific.

One customer accounted for 30 percent, 21 percent and 22 percent of the Company s consolidated net sales in 2013, 2012 and 2011, respectively. During 2013, 2012 and 2011, the top five customers accounted for approximately $28,000, $29,000 and $25,000 or 53 percent, 46 percent and 44 percent of the Company s consolidated net sales, respectively.

At December 31, 2013, two customers accounted for accounted for a combined 34 percent of the Company s consolidated accounts receivable. Two customers accounted for 27 percent of the Company s consolidated accounts receivable at December 31, 2012.

**5. GOODWILL**

The Company performed its annual goodwill impairment test as of November 30th for each of the years ended December 31, 2013, 2012 and 2011. The Company completed or obtained an analysis to assess the fair value of its reporting units to determine whether goodwill was impaired and the extent of such impairment, if any for the years ended December 31, 2013, 2012 and 2011. Based upon this analysis, the Company has concluded that no impairment of goodwill or intangible assets existed as of November 30, 2013. However, due to the restructuring plan that took effect in June of 2013, goodwill of $515 was written off as of June 30, 2013 and is 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, 2010 | $ | 9,709 |
| Changes to the carrying amount | | |
| Carrying amount at December 31, 2011 and 2012 | | 9,709 |
| Impairment of goodwill of discontinued operations | | (515) |
| Carrying amount at December 31, 2013 | $ | 9,194 |

**6. INVENTORIES**

Inventories consisted of the following:

| | Raw materials | Work-in process | Finished products and components | Total |
|---|---|---|---|---|
| December 31, 2013 | | | | |
| Domestic | $ 3,548 | $ 1,173 | $ 1,604 | $ 6,325 |
| Foreign | 2,114 | 842 | 119 | 3,075 |
| Total | $ 5,662 | $ 2,015 | $ 1,723 | $ 9,400 |
| | | | | |
| December 31, 2012 | | | | |
| Domestic | $ 3,698 | $ 1,379 | $ 2,376 | $ 7,453 |
| Foreign | 2,504 | 244 | 230 | 2,978 |
| Total | $ 6,202 | $ 1,623 | $ 2,606 | $ 10,431 |

Table of Contents

**7. SHORT AND LONG-TERM DEBT**

Short and long-term debt at December 31 were as follows:

| | 2013 | 2012 |
|---|---|---|
| Domestic Asset-Based Revolving Credit Facility | $ 4,450 | $ 4,360 |
| Foreign Overdraft and Letter of Credit Facility | 1,281 | 1,795 |
| Domestic Term-Loan | 2,750 | 3,750 |
| Note Payable Datrix Purchase | | 262 |
| Total Debt | 8,481 | 10,167 |
| Less: Current maturities | (2,210) | (2,945) |
| Total Long-Term Debt | $ 6,271 | $ 7,222 |

| | Payments Due by Period | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 | Thereafter | Total |
| Domestic credit facility | $ | $ | $ | $ | $ 4,450 | $ | $ 4,450 |
| Domestic term loan | 1,000 | 1,000 | 750 | | | | 2,750 |
| Foreign overdraft and letter of credit facility | 1,210 | 48 | 23 | | | | 1,281 |
| Total Debt | $ 2,210 | $ 1,048 | $ 773 | $ | $ 4,450 | $ | $ 8,481 |

*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 $4,000.

In February 2014, the Company and its domestic subsidiaries entered into a Sixth Amendment to the Loan and Security Agreement and Waiver with The PrivateBank and Trust Company. The amendment, among other things:

- extended the term loan and revolving loan maturity date to February 28, 2018, keeping the existing term loan amortization schedule in place;
- increased the eligible accounts receivable borrowing percentage from eighty percent to eight-five percent for all eligible accounts other than two specific customers which will be ninety percent. Under the revolving credit facility as amended, the availability of funds depends on a borrowing base composed of stated percentages of the Company s eligible trade receivables and inventory, less a reserve;
- amended the applicable base rate margin, applicable LIBOR rate margin, applicable LOC fee and applicable non-use fee based on the then applicable leverage ratio;
- amended the funded debt to EBITDA and fixed charge coverage covenants;
- revised the definition of net income.
- approved the application of net proceeds from the IntriCon Tibbetts asset sale against amounts outstanding under the revolving credit facility; and
- waived certain financial covenant defaults as of December 31, 2013.

48

Table of Contents

Due to the Sixth Amendment as described above, the term loan and the revolving loan maturity date has been extended to February 28, 2018. As a result, all of the borrowings under this agreement have been characterized as either a current or long-term liability on our balance sheet.

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 2.75% - 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 4.30%, 4.52%, and 3.93% for 2013, 2012, and 2011, respectively.

The outstanding balance of the revolving credit facility was $4,450 and $4,360 at December 31, 2013 and 2012, respectively. The total remaining availability on the revolving credit facility was approximately $1,682 and $2,689 at December 31, 2013 and 2012, respectively.

The outstanding principal balance of the term loan, as amended, is payable in quarterly installments of $250 commencing in March 2014. Any remaining principal and accrued interest is payable on February 28, 2018. 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 not in compliance with the fixed charge and leverage covenants under the credit facility as of December 31, 2013 and obtained a covenant waiver from The PrivateBank as part of the Sixth Amendment.

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).

Table of Contents

During 2011, 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 $5,500, 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 4.33% - 4.62%. The interest rate swaps expire on August 13, 2014. Interest rate swaps, which are considered derivative instruments, of $22 and $92 are reported in the consolidated balance sheets at fair value in other current liabilities at December 31, 2013 and 2012.

*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 a $2,169 line of credit. The international credit agreement was modified in August 2010 and again in August 2011 to allow for an additional total of $736 in borrowing under the existing base to fund the Singapore facility relocation, Batam facility construction and various other capital needs with varying due dates from 2013 to 2015. 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 3.95% and 3.89% for the years ended December 31, 2013 and 2012. The outstanding balance was $1,281 and $1,795 at December 31, 2013 and 2012, respectively. The total remaining availability on the international senior secured credit agreement was approximately $888 and $639 at December 31, 2013 and 2012, respectively.

**8. OTHER ACCRUED LIABILITIES**

Other accrued liabilities at December 31:

| | 2013 | 2012 |
|---|---|---|
| Taxes, including payroll withholdings and excluding income taxes | $ 8 | $ 12 |
| Accrued professional fees | 211 | 254 |
| Pension | 93 | 36 |
| Postretirement benefit obligations | 103 | 112 |
| Other | 1,478 | 1,729 |
| | $ 1,893 | $ 2,143 |

**9. DOMESTIC AND FOREIGN INCOME TAXES**

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

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Current | | | |
| Federal | $ | $ | $ |
| State | 28 | 9 | (33) |
| Foreign | 189 | 162 | 42 |
| | $ 217 | $ 171 | $ 9 |
| Deferred | | | |
| Federal | | | |
| State | | | |
| Foreign | | (7) | (169) |
| Income Tax Expense (benefit) | $ 217 | $ 164 | $ (160) |
| | | | |
| Income (loss) from continuing operations before income taxes and discontinued operations | | | |
| Foreign | (139) | 1,023 | (636) |
| Domestic | (1,934) | 900 | 194 |
| | $ (2,073) | $ 1,923 | $ (442) |

Table of Contents

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 | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Tax provision at statutory rate | (34.00)% | 34.00% | (34.00)% |
| Change in valuation allowance | (5.12) | (34.20) | 49.67 |
| Impact of permanent items, including stock based compensation expense | 24.15 | 6.08 | 22.66 |
| Effect of foreign tax rates | 6.35 | (6.35) | 18.68 |
| State taxes net of federal benefit | (1.43) | 0.78 | (2.12) |
| Effect of dividend of foreign subsidiary in prior year | 17.16 | | |
| Prior year provision to return true-up | (5.10) | 9.59 | (82.91) |
| Other | 8.45 | (1.37) | (8.16) |
| Domestic and foreign income tax rate | 10.46% | 8.53% | (36.18)% |

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2013, and 2012 are presented below:

| | Year Ended December 31 | |
|---|---|---|
| | 2013 | 2012 |
| Deferred tax assets: | | |
| Net operating loss carry forwards and credits - United States | $ 8,053 | $ 7,135 |
| Depreciation and amortization | 114 | |
| Inventory related timing differences | 552 | 426 |
| Compensation accruals | 1,148 | 972 |
| Accruals and reserves | 120 | 126 |
| Credits | 225 | $ |
| Other | 186 | 94 |
| Total Deferred tax assets | 10,398 | 8,753 |
| Less: valuation allowance | (10,046) | (8,746) |
| Deferred tax assets net of valuation allowance | $ 352 | $ 7 |
| | | |
| Deferred tax liabilities | | |
| Undistributed Earnings of Foreign Subsidiary | $ (352) | $ |
| Total deferred tax liabilities | (352) | |
| Net deferred tax | $ | $ 7 |

The valuation allowance is maintained against deferred tax assets which the Company has determined are more likely than not unable to be realized. The change in valuation allowance was $(637), $(264) and $649 for the years ended December 31, 2013, 2012 and 2011, respectively. As of December 31, 2013, the Company has net operating loss carryforwards for Federal tax purposes of approximately $22,997. 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.

Table of Contents

Excluded from the Company s net operating loss carryforwards is $93 in tax deductions resulting from the exercise of non-qualified stock options. Because the Company is currently in an NOL position, the $93 windfall is not recorded through additional paid-in capital until the tax benefit is recognized through a reduction in actual tax payments. For tax reporting purposes, the Company has actual federal and state net operating loss carryforwards of $22,997 and $6,978, respectively, as of December 31, 2013. These net operating loss carryforwards begin to expire in 2022 for federal tax purposes and 2017 for state tax purposes.

During 2013, the Company changed its indefinite reinvestment assertion and recognized a deferred tax liability relating to cumulative undistributed earnings of its controlled foreign subsidiary 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 provided 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 unable 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 had 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, 2013, 2012 and 2011.

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. With few exceptions, the Company is no longer subject to U.S. federal and local, or non-U.S. income tax examinations by tax authorities for the years starting before 2009 and state for the years starting before 2008. There are no other on-going or pending IRS, state, or foreign examinations.

The Company recognizes penalties and interest accrued related to liabilities for uncertain tax positions in income tax expense for all periods presented. During the tax years December 31, 2013, 2012 and 2011 the Company has no amounts accrued for the payment of interest penalties.

**10. 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. In the second quarter of 2009, the Company elected to suspend employer contributions into the defined contribution plans. The Company has restored employer matching contributions to the defined contribution plans effective as of January 1, 2013. The Company contribution to these plans was $152 for 2013 and $0 for 2012 and 2011, respectively.

The Company provides post-retirement medical benefits to certain domestic full-time employees who meet 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 will be 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.

Table of Contents

The following table presents the amounts recognized in the Company s consolidated balance sheets at December 31, 2013 and 2012 for post-retirement medical benefits:

| | 2013 | 2012 |
|---|---|---|
| Change in Projected Benefit Obligation Projected benefit obligation at January 1 | $ 702 | $ 850 |
| Interest cost | 29 | 43 |
| Actuarial loss | 25 | (47) |
| Participant contributions | 32 | 60 |
| Benefits paid | (155) | (204) |
| Projected benefit obligation at December 31 | 633 | 702 |
| Change in fair value of plan assets | | |
| Employer contributions | 114 | 144 |
| Participant contributions | 32 | 60 |
| Benefits paid | (146) | (204) |
| Funded status | (633) | (702) |
| Current liabilities | 102 | 112 |
| Noncurrent liabilities | 531 | 590 |
| Net amount recognized | $ 633 | $ 702 |
| 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, 2013 and 2012.

Net periodic post-retirement medical benefit costs for 2013, 2012, and 2011 included the following components:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Service cost | $ | $ | $ |
| Interest cost | 29 | 43 | 47 |
| Net periodic post-retirement medical benefit cost | $ 29 | $ 43 | $ 47 |

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 2014; the rate was assumed to decrease gradually to 3.5% by the year 2018 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 2014 are expected to be approximately $103.

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

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Annual increase in cost of benefits | 7.0% | 8.0% | 8.0% |
| Discount rate used to determine year-end obligations | 4.0% | 4.5% | 5.5% |
| Discount rate used to determine year-end expense | 4.5% | 5.5% | 6.0% |

Table of Contents

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

| | | |
|---|---|---|
| 2014 | $ | 229 |
| 2015 | | 218 |
| 2016 | | 209 |
| 2017 | | 201 |
| 2018 | | 190 |
| Years 2019-2023 | | 715 |

In addition to the post-retirement medical benefits the Company provides retirement related benefits to former executive employees and to certain employees of foreign subsidiaries. The liabilities established for these benefits at December 31, 2013 and 2012 are illustrated below.

| | 2013 | 2012 |
|---|---|---|
| Current portion | $ 129 | $ 36 |
| Long-term portion | 803 | 510 |
| Total liability at December 31 | $ 932 | $ 546 |

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%.

**11. 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 shareholders equity, net of tax, where appropriate.

Foreign currency transaction amounts included in the consolidated statements of operations include a loss of $42, $177, and $17 in 2013, 2012 and 2011.

**12. COMMON STOCK AND STOCK OPTIONS**

The Company has a 2001 stock option plan, a non-employee directors stock option plan and a 2006 Equity Incentive Plan. New grants may not be made under the 2001 and the non-employee directors stock option plans; however certain option grants under these plans remain exercisable as of December 31, 2013. The aggregate number of shares of common stock for which awards could be granted under the 2006 Equity Incentive Plan as of the date of adoption was 699 shares. The Plan was amended in 2010 and 2012 to authorize an additional 250 and 300 shares, respectively, for issuance under the Plan. Additionally, as outstanding options under the 2001 stock option plan and non-employee directors stock option plan expire, the shares of the Company s common stock subject to the expired options will become available for issuance under the 2006 Equity Incentive Plan.

Under the various plans, executives, employees and outside directors receive awards of options to purchase common stock. Under the 2006 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, 2013. 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 2006 equity incentive plan. The director 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. There were 0, 1 and 3 shares issued in lieu of cash for director fees under the director program for each of the years ended December 31, 2013, 2012 and 2011, 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 2006 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 were no shares purchased under the management purchase program during the years ended December 31, 2013, 2012 and 2011, respectively.

Table of Contents

Stock option activity during the periods indicated is as follows:

| | Number of Shares | Weighted-average Exercise Price | Aggregate Intrinsic Value |
|---|---|---|---|
| Outstanding at December 31, 2010 | 1,072 | $ 5.60 | |
| Options forfeited or cancelled | (95) | 3.07 | |
| Options granted | 177 | 4.43 | |
| Options exercised | (69) | 2.30 | |
| Outstanding at December 31, 2011 | 1,085 | 5.84 | |
| Options forfeited or cancelled | (3) | 6.76 | |
| Options granted | 182 | 6.42 | |
| Options exercised | (20) | 2.54 | |
| 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 | $ 348 |
| Exercisable at December 31, 2012 | 925 | $ 6.13 | $ 425 |
| Exercisable at December 31, 2013 | 1,043 | $ 6.05 | $ 348 |
| Available for future grant at December 31, 2013 | 182 | | |

The number of shares available for future grant at December 31, 2013, does not include a total of up to 160 shares subject to options outstanding under the 2001 stock option plan and non-employee directors stock option plan which will become available for grant under the 2006 Equity Incentive Plan in the event of the expiration of said options.

The weighted-average remaining contractual term of options exercisable and outstanding at December 31, 2013, were 4.02 and 5.17 years, respectively. The total intrinsic value of options exercised during fiscal 2013, 2012, and 2011, was $12, $84, and $163, respectively.

The weighted-average per share fair value of options granted was $4.06, $3.84, and $2.57, in 2013, 2012, and 2011, 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:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Dividend yield | 0.0% | 0.0% | 0.0% |
| Expected volatility | 70.84 - 72.19% | 68.94 - 72.71% | 68.68 - 69.22% |
| Risk-free interest rate | .91-1.07% | .83 - 1.10% | 2.06 - 2.22% |
| Expected life (years) | 6.0 | 5.0 - 6.0 | 5.00 |

Table of Contents

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 continually 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 $532, $414, and $214 of non-cash stock option expense for the years ended December 31, 2013, 2012 and 2011, respectively. As of December 31, 2013, there was $619 of total unrecognized compensation costs related to non-vested awards that is expected to be recognized over a weighted-average period of 1.47 years.

The Company also has an Employee Stock Purchase Plan (the Purchase Plan ). The Purchase Plan initially provided that a maximum of 100 shares may be sold under the Purchase Plan as of the date of adoption. On April 27, 2011, the Company s shareholders approved an amendment to the Purchase Plan to increase the number of shares which may be purchased under the plan by an additional 100 shares. There were 26, 20, and 17 shares purchased under the plan for the years ended December 31, 2013, 2012 and 2011, respectively.

**13. INCOME (LOSS) PER SHARE**

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

| | Year Ended December 31 | | |
|---|---|---|---|
| | **2013** | **2012** | **2011** |
| Numerator: | | | |
| Income (loss) before discontinued operations | $ (2,290) | $ 1,759 | $ (282) |
| Loss from discontinued operations, net of income taxes | (3,872) | (1,050) | (1,143) |
| Net income (loss) | $ (6,162) | $ 709 | $ (1,425) |
| Denominator: | | | |
| Basic weighted shares outstanding | 5,699 | 5,669 | 5,599 |
| Weighted shares assumed upon exercise of stock options | | 219 | |
| Diluted weighted shares outstanding | 5,699 | 5,888 | 5,599 |
| Basic income (loss) per share: | | | |
| Continuing operations | $ (0.40) | $ 0.31 | $ (0.05) |
| Discontinued operations | (0.68) | (0.19) | (0.20) |
| Net income (loss) per share: | $ (1.08) | $ 0.13 | $ (0.25) |
| Diluted income (loss) per share: | | | |
| Continuing operations | $ (0.40) | $ 0.30 | $ (0.05) |
| Discontinued operations | (0.68) | (0.18) | (0.20) |
| Net income (loss) per share: | $ (1.08) | $ 0.12 | $ (0.25) |

The Company excluded stock options of 1,407, 411, and 1,085, in 2013, 2012, and 2011, 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 12.

Table of Contents

**14. 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 and is being managed by a court appointed judiciary administrator. The Company may be subject to additional litigation or liabilities as a result of the French insolvency proceeding.

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 2013, 2012, and 2011 under leases pertaining primarily to engineering, manufacturing, sales and administrative facilities, with an initial term of one year or more, aggregated $1,480, $1,531, and $1,497, respectively. Remaining payments under such leases are as follows: 2014- $1,284; 2015- $1,296; 2016- $984; and 2017- $17, which includes two leased facilities in Minnesota that expire in 2016, one leased facility in Maine that expires in 2014, one leased facility in California that expires in 2016, one leased facility in Singapore that expires in 2015, one leased facility in Indonesia 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 seven 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.

On July 20, 2008, the Company entered into a strategic alliance agreement with Dynamic Hearing Pty Ltd ( Dynamic Hearing ). Effective October 1, 2008, Dynamic Hearing granted a license to the Company to use certain of Dynamic Hearing s technology. The initial term of the agreement was five years from the date of execution with an extension available upon agreement of the parties within two months of the expiration of the initial term; however, either party had ability to terminate the agreement after the second year of the term upon three months notice. The Company agreed to pay Dynamic Hearing: (i) an annual fee for access to the technology licensed pursuant to the agreement and (ii) an additional second component fee to maintain exclusive rights granted to the Company with respect to hearing health products. Additionally, IntriCon agreed to make royalty payments on products that incorporate Dynamic Hearing s technology, and Dynamic Hearing has also agreed to provide the Company with engineering and other services in connection with the licensed technology. Minimal royalty payments were made for the years ended December 31, 2013 2012, and 2011. The Company recorded $1,000 payable to Dynamic Hearing for the first two years of exclusive license fees described above which was paid during 2010. In January of 2011, the strategic alliance agreement was amended to, among other things, remove the second component fee for the remainder of the term and extend the date after which either party can terminate the agreement through December 2012. Exclusive rights and engineering and other services were amortized through September 2010. The

technology access fee will be amortized through September 2017, the estimated useful life and is included in other assets, net on the balance sheet. The technology access fee asset was $232 and $380 as of December 31, 2013 and 2012, respectively.

Table of Contents

**15. 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 $486, $490 and $486 for each of the years ended 2013, 2012 and 2011.

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 $228, $174, and $217 to Blank Rome LLP for legal services and costs in 2013, 2012 and 2011, 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.

**16. STATEMENTS OF CASH FLOWS**

Supplemental disclosures of cash flow information:

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Interest received | $ 1 | $ 1 | $ 1 |
| Interest paid | 512 | 594 | 461 |
| Income taxes paid | 27 | 5 | 4 |
| Shares issued for director services in lieu of fees | | 1 | 3 |
| Retirement of treasury shares | | | 1,265 |

**17. INVESTMENT IN PARTNERSHIPS**

In December 2006, the Company joined the Hearing Instrument Manufacturers Patent Partnership (K/S HIMPP). Members of the partnership include the largest six hearing aid manufacturers as well as several other smaller manufacturers. The purchase price of $1,800 included a 9% equity interest in K/S HIMPP as well as a license agreement that grants the Company access to over 45 US registered patents. The Company accounted for the K/S HIMPP investment using the equity method of accounting for common stock, as the equity interest is deemed to be more than minor . The company paid the final principal installment under the purchase agreement of $240 in 2012. The investment in the partnership exceeded underlying net assets by approximately $1,475 at the time of the agreement. Based on the final assessment of the partnership, the Company determined that approximately $345 of the excess of the investment over the underlying partnership net assets relates to underlying patents (amortized on a straight-line basis over ten years). The remaining $1,130 of the excess of the investment over the underlying partnership net assets was assigned to the non-exclusive patent license agreement (amortized on a straight-line basis over ten years). The Company recorded a $204, $166 and $34 decrease in the carrying amount of the investment, reflecting amortization of the patents, patent license agreement and the Company s portion of the partnership s operating results for the years ended December 31, 2013, 2012 and 2011, respectively. Also, the Company recorded operating expenses directly related to HIMPP of $58, $50, and $0 during 2013, 2012, and 2011.The carrying amount of the K/S HIMPP partnership is $569 and $773 at December 31, 2013 and 2012, respectively. As of December 31, 2013, amortization remaining for each of the years ending December 31, 2014 through 2016 is $195.

In August 2012, the Company sold its 50% interest in its Global Coils joint venture to its joint venture partner Audemars SA. The Global Coils joint venture is in the business of marketing, designing, manufacturing, and selling audio coils to the hearing health industry. Audemars paid $426 in cash at closing and will make future payments, both one time and recurring, as specified in the purchase agreement. Audemars also transferred certain hearing health inventory to IntriCon. The Company recorded a gain on the sale of $822 in the gain on sale of investment in partnership line of the accompanying statement of operations.

The net gain was computed as follows:

| | |
|---|---|
| Cash proceeds | $ 426 |
| Receivables | 721 |
| Inventory | 186 |

| | |
|---|---|
| Net assets disposed | (486) |
| Transaction costs | (25) |
| Gain on sale | $ 822 |

Table of Contents

The receivables are made up of installment payments and estimated royalties and are included in other current assets and other assets on the balance sheet based on payment terms. The Company measured the fair value of the estimated royalties based on level 3 inputs which are considered unobservable inputs that are not corroborated by market data. The Company used future estimated cash flows discounted to their present value to calculate fair value. The discount rate used was the value-weighted average of the Company s estimated cost of capital derived using both known and estimated customary market metrics. Actual royalty payments may differ from the Company s estimate which could adversely affect the Company s results of operations.

Prior to the sale of the Company s Global Coils joint venture, the Company recorded a $50 increase in the carrying amount of the investment, reflecting the Company s portion of the joint venture s operating results for the year ended December 31, 2012. The Company recorded an increase of approximately $208 in the carrying amount of the investment for the year ended December 31, 2011. The carrying amount of the investment was $0 and $380 at December 31, 2012 and 2011, respectively. The Company had a receivable of approximately $376 related to management fees as of December 31, 2011.

**18. REVENUE BY MARKET**

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

| | Year Ended December 31 | | |
|---|---|---|---|
| | **2013** | **2012** | **2011** |
| Medical | $ 25,978 | $ 24,463 | $ 22,923 |
| Hearing Health | 19,739 | 23,806 | 21,032 |
| Professional Audio Communications | 7,244 | 11,686 | 8,140 |
| Total Net Sales | $ 52,961 | $ 59,955 | $ 52,095 |

**19. SUBSEQUENT EVENTS**

On January 27, 2014, IntriCon Corporation completed the sale of the security business and certain microphone and receiver businesses 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.

On February 14, 2014, the Company and its domestic subsidiaries entered into a Sixth Amendment to the Loan and Security Agreement and Waiver with The PrivateBank and Trust Company (refer to Note 7).

Table of Contents

## 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

As previously reported, on February 5, 2014, the Board of Directors of the Company approved an Amendment to Equity Plans which amended each of the following equity plans of the Company to permit the cashless exercise of stock options granted under such plans: (i) the Amended and Restated Non-Employee Directors Stock Option Plan, (ii) the 2001 Stock Option Plan, as amended and (iii) the 2006 Equity Incentive Plan, as amended. Under the Amendment, the cashless exercise payment method will be available for all stock options issued under the plans, regardless of whether the form of option agreement or award contains such a provision.

On March 11, 2014, the Board approved an Amended and Restated Amendment to Equity Plans, the purpose of which was to further provide that if the use of the cashless exercise payment method resulted in a fractional share, such fractional share would be cancelled without consideration.

The foregoing description of the Amendment does not purport to be complete and is qualified in its entirety by reference to the Amendment, a copy of which is filed as Exhibit 10.24 hereto and is incorporated herein by reference.

Table of Contents

# 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 2014 annual meeting of shareholders, including but not necessarily limited to the sections of the 2014 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 2014 annual meeting of shareholders, including but not necessarily limited to the sections of the 2014 proxy statement entitled Director Compensation for 2013, 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 2014 annual meeting of shareholders, including but not necessarily limited to the section of the 2014 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, 2013:

| 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) | 1,314 | $ 6.16 | 144 |
| Equity compensation plans not approved by security holders(2) | 93 | $ 3.78 | |
| Total | 1,407 | $ 5.75 | 144 |

(1) The amount shown in column (c) includes 87 shares issuable under the Company s 2006 Equity Incentive Plan (the 2006 Plan ) and 57 shares available for purchase under the Company s Employee Stock Purchase Plan. Under the terms of the 2006 Plan, as outstanding options under the Company s 2001 Stock Option Plan and Non-Employee Directors Stock Option Plan expire, the shares of common stock subject to the expired options will become available for issuance under the 2006 Plan. As of December 31, 2013, 160 shares of common stock were subject to outstanding options under the 2001 Stock Option Plan and Non-Employee Directors Stock Option 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 2006 Plan.

(2) Represents shares issuable under the Non-Employee Directors Stock Option Plan, the ( Non-Employee Directors Plan ), pursuant to which directors who are not employees of the Company or any of its subsidiaries were eligible to receive options. The exercise price of the option was the fair market value of the stock on the date of grant. Options become exercisable in equal one-third annual installments beginning one year from the date of grant, except that the vesting schedule for discretionary grants is determined by the Compensation Committee. As a result of the approval of the 2006 Plan by the shareholders at the 2006 annual meeting of shareholders, no further grants will be made pursuant to the Non-Employee Directors Plan.

Table of Contents

## 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 2014 annual meeting of shareholders, including but not necessarily limited to the sections of the 2014 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 2014 annual meeting of shareholders, including but not necessarily limited to the sections of the 2014 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, 2013, 2012 and 2011

Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2013, 2012 and 2011.

Consolidated Balance Sheets at December 31, 2013 and 2012.

Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011.

Consolidated Statements of Shareholders Equity for the years ended December 31, 2013, 2012 and 2011.

Notes to Consolidated Financial Statements.

2) Financial Statement Schedules

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON
SUPPLEMENTARY INFORMATION

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

Our audits were made for the purpose of forming an opinion on the basic 2013, 2012 and 2011 consolidated financial statements of IntriCon Corporation and Subsidiaries taken as a whole. The consolidated supplemental schedule II is presented for purposes of complying with the Securities Exchange Commission s rules and is not a part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in our audits of the 2013, 2012 and 2011 basic consolidated financial statements and, in our opinion, is fairly stated in all materials respects in relation to the basic consolidated financial statements taken as a whole.

/s/ BAKER TILLY VIRCHOW KRAUSE, LLP

Minneapolis, Minnesota
March 12, 2014

Schedule II - Valuation and Qualifying Accounts

**INTRICON CORPORATION AND SUBSIDIARY COMPANIES**

**Valuation and Qualifying Accounts**
**December 31, 2013, 2012 and 2011.**

| Description | Balance at beginning of Year | Addition charged to costs and expense | Less deductions | Balance at end of year |
|---|---|---|---|---|
| **Year ended December 31, 2013** | | | | |
| Allowance for doubtful accounts | $ 154 | $ | $ 30(a) | $ 124 |
| Deferred tax asset valuation allowance | $ 8,746 | $ 637 | $ | $ 9,383 |
| **Year ended December 31, 2012** | | | | |
| Allowance for doubtful accounts | $ 223 | $ 1 | $ 70(a) | $ 154 |
| Deferred tax asset valuation allowance | $ 9,010 | $ | $ 264 | $ 8,746 |
| **Year ended December 31, 2011** | | | | |
| Allowance for doubtful accounts | $ 219 | $ 5 | $ 1(a) | $ 223 |
| Deferred tax asset valuation allowance | $ 8,361 | $ 649 | $ | $ 9,010 |

a) Uncollectible accounts written off.

All other schedules are omitted because they are not applicable, or because the required information is included in the consolidated financial statements or notes thereto.

3) Exhibits

2.1 Asset Purchase Agreement dated as of May 28, 2010 among RTIE Holdings LLC, RTI Electronics, Inc., and IntriCon 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 filed with the Commission on June 3, 2010).

Table of Contents

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|---|---|
| 2.2 | 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.) |
| + 10.1.1 | 2001 Stock Option Plan. (Incorporated by reference from the Company s Annual Report on Form 10-K for the year ended December 31, 2000.) |
| + 10.1.2 | Form of Stock Option Agreement issued to executive officers pursuant to the 2001 Stock Option Plan. (Incorporated by reference from the Company s Current Report on Form 8-K filed with the Commission on April 26, 2005.) |
| + 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 Second 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.) |
| + 10.4.1 | Amended and Restated Non-Employee Directors Stock Option Plan. (Incorporated by reference from the Company s Annual Report on Form 10-K for the year ended December 31, 2001.) |
| +10.4.2 | Form of Non-employee director Option Agreement for options issued pursuant to the Amended and Restated Non-Employee Directors Stock Option Plan. (Incorporated by reference from the Company s Current Report on Form 8-K filed with the Commission on October 3, 2005.) |
| + 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.) |

Table of Contents

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|---|---|
| 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.) |
| 10.18 | 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. f) |
| 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.) |

Table of Contents

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|---|---|
| 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.) |
| 10.20 | Subordinated Non-Negotiable Promissory Note issued to Jon V. Barron dated August 13, 2009 (Incorporated by reference from the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2009.) |
| 10.21 | Amended and Restated Sale or Change of Control, Exclusivity and Noncompete Agreement dated November 12, 2011 between IntriCon Corporation and United Healthcare Services, Inc. (Incorporated by reference from the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.) |
| +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 | Amendment to Equity Plans (Incorporated by reference to the Company s Current Report on Form 8-K filed with the Commission on February 11, 2014.) |
| +10.24* | Amended and Restated Amendment to Equity Plans. |
| 21* | 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 |
| 99.1 | Shareholders Agreement dated October 10, 2011 by and among the Company, United Healthcare Services, Inc., Mark S. Gorder, Michael J. McKenna, Robert N. Masucci, Nicolas A. Giordano, Philip N. Seamon, Christopher D. Conger, Michael P. Geraci, Scott Longval, Dennis L. Gonsior, and Greg Gruenhagen (Incorporated by reference from the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.) |
| 101 | The following materials from IntriCon Corporation s Annual Report on Form 10-K for the year ended December 31, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations for the years ended December 31, 2013, 2012 and 2011; (ii) Consolidated Statements of Comprehensive Income (Loss); (iii) Consolidated Balance Sheets as of December 31, 2013 and 2012; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011; (v) Consolidated Statements of Shareholders Equity for the years ended December 31, 2013, 2012 and 2011; and (vi) Notes to Consolidated Financial Statements. |

* Filed herewith.

\+ Denotes management contract, compensatory plan or arrangement.

Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files in Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Exchange Act and otherwise are not subject to liability under those sections.

Table of Contents

**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 12, 2014

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 12, 2014

/s/ Scott Longval
Scott Longval
Chief Financial Officer
Treasurer and Secretary
(principal accounting and financial officer)
March 12, 2014

/s/Nicholas A. Giordano
Nicholas A. Giordano
Director
March 12, 2014

/s/Robert N. Masucci
Robert N. Masucci
Director
March 12, 2014

/s/ Michael J. McKenna
Michael J. McKenna
Director
March 12, 2014

/s/ Philip N. Seamon
Philip N. Seamon
Director

March 12, 2014

Table of Contents

EXHIBIT INDEX

EXHIBITS:

| | |
|---|---|
| +10.24* | Amended and Restated Amendment to Equity Plans. |
| 21 | 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 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, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations for the years ended December 31, 2013, 2012 and 2011; (ii) Consolidated Statements of Comprehensive Income (Loss); (iii) Consolidated Balance Sheets as of December 31, 2013 and 2012; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011; (v) Consolidated Statements of Shareholders Equity for the years ended December 31, 2013, 2012 and 2011; and (vi) Notes to Consolidated Financial Statements.<br><br>Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files in Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Exchange Act and otherwise are not subject to liability under those sections. |