

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 1-5005

INTRICON CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of
incorporation or organization)

23-1069060

(I.R.S. Employer Identification No.)

**1260 Red Fox Road
Arden Hills, Minnesota**

(Address of principal executive offices)

55112

(Zip Code)

(651) 636-9770

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Indicate by check mark 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," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value \$1.00 per share	IIN	Nasdaq Global Market

The number of outstanding shares of the registrant's common stock, \$1.00 par value, on April 30, 2019 was 8,737,015.



INTRICON CORPORATION

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PART I: FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	March 31, 2019 <u>(Unaudited)</u>	December 31, 2018
Current assets:		
Cash, cash equivalents and restricted cash	\$ 13,190	\$ 8,047
Short-term investments	16,008	38,093
Accounts receivable, less allowance for doubtful accounts of \$368 at March 31, 2019 and \$807 at December 31, 2018	10,493	11,479
Inventories	19,134	18,981
Contract assets	6,320	5,624
Other current assets	1,541	2,320
Total current assets	<u>66,686</u>	<u>84,544</u>
Machinery and equipment	38,202	37,161
Less: Accumulated depreciation	25,941	25,429
Net machinery and equipment	<u>12,261</u>	<u>11,732</u>
Goodwill	10,808	10,808
Intangible assets, net	2,546	2,585
Operating lease right of use asset	5,518	—
Investment in partnerships	1,324	2,091
Long-term investments	15,228	—
Other assets, net	6,525	3,488
Total assets	<u>\$ 120,896</u>	<u>\$ 115,248</u>
Current liabilities:		
Current financing leases	\$ 104	\$ —
Current operating leases	1,700	—
Accounts payable	12,237	13,191
Accrued salaries, wages and commissions	2,572	4,409
Other accrued liabilities	4,692	4,047
Total current liabilities	<u>21,305</u>	<u>21,647</u>
Noncurrent financing leases	95	—
Noncurrent operating leases	4,030	—
Other postretirement benefit obligations	366	377
Accrued pension liabilities	733	706
Other long-term liabilities	1,306	544
Total liabilities	<u>27,835</u>	<u>23,274</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$1.00 par value per share; 20,000 shares authorized; 8,714 and 8,664 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	8,714	8,664
Additional paid-in capital	85,131	84,999
Retained earnings (accumulated deficit)	266	(509)
Accumulated other comprehensive loss	(797)	(927)
Total shareholders' equity	<u>93,314</u>	<u>92,227</u>
Non-controlling interest	(253)	(253)
Total equity	<u>93,061</u>	<u>91,974</u>
Total liabilities and equity	<u>\$ 120,896</u>	<u>\$ 115,248</u>

(See accompanying notes to the consolidated condensed financial statements)

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

	Three Months Ended	
	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Revenue, net	\$ 30,109	\$ 25,363
Cost of goods sold	21,358	16,951
Gross profit	8,751	8,412
Operating expenses:		
Sales and marketing	3,536	2,840
General and administrative	3,425	3,061
Research and development	965	1,159
Total operating expenses	7,926	7,060
Operating income	825	1,352
Interest income (expense), net	215	(188)
Other expense, net	(134)	(208)
Income before income taxes	906	956
Income tax expense	131	187
Net income	<u>\$ 775</u>	<u>\$ 769</u>
Income per share of common stock:		
Net income per share, Basic:	<u>\$ 0.09</u>	<u>\$ 0.11</u>
Net income per share, Diluted:	<u>\$ 0.08</u>	<u>\$ 0.10</u>
Average shares outstanding:		
Basic	8,705	6,929
Diluted	9,382	7,843

(See accompanying notes to the consolidated condensed financial statements)

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

	Three Months Ended	
	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Net income	\$ 775	\$ 769
Interest rate swap, net of taxes of \$0	—	4
Investment in partnerships, net of taxes of \$0	118	—
Pension and postretirement obligations, net of taxes of \$0	5	5
Foreign currency translation adjustment, net of taxes of \$0	7	77
Comprehensive income	<u>\$ 905</u>	<u>\$ 855</u>

(See accompanying notes to the consolidated condensed financial statements)

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

	Three Months Ended	
	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Cash flows from operating activities:		
Net income	\$ 775	\$ 769
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	810	654
Equity in loss of partnerships	65	116
Stock-based compensation	329	333
Change in allowance for doubtful accounts	(439)	151
Changes in operating assets and liabilities:		
Accounts receivable	1,301	(2,407)
Inventories	(171)	(1,183)
Contract assets	(696)	(1,787)
Other assets	971	139
Accounts payable	(1,108)	2,262
Accrued expenses	(1,431)	(316)
Other liabilities	29	14
Net cash provided by (used in) operating activities	435	(1,255)
Cash flows from investing activities:		
Purchases of machinery and equipment	(954)	(485)
Payments for acquisition of other assets	(586)	—
Purchase of investment securities	(34,516)	—
Proceeds from sale of investment securities	38,015	—
Proceeds from maturities of investment securities	3,464	—
Investment in partnerships	(568)	(164)
Net cash provided by (used in) investing activities	4,855	(649)
Cash flows from financing activities:		
Proceeds from long-term debt	—	6,106
Repayments of long-term debt	—	(4,550)
Payment of financing leases	(32)	—
Exercise of stock options and employee stock purchase plan shares	88	267
Withholding of common stock upon vesting of restricted stock units	(235)	—
Net cash provided by (used in) financing activities	(179)	1,823
Effect of exchange rate changes on cash	32	120
Net increase in cash	5,143	39
Cash, cash equivalents and restricted cash, beginning of period	8,047	1,017
Cash, cash equivalents and restricted cash, end of period	<u>\$ 13,190</u>	<u>\$ 1,056</u>
Noncash investing and financing:		
Acquisition of machinery and equipment in accounts payable	160	305
Investment in partnership through liability incurred	—	308
Fitting software other asset through liabilities incurred and exchange of investment in partnership	3,093	—

(See accompanying notes to the consolidated condensed financial statements)

INTRICON CORPORATION
Consolidated Condensed Statements of Equity
(In Thousands)

Shareholders' Equity, Three Months Ended March 31, 2019 (Unaudited)							
	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Equity
Balance December 31, 2018	8,664	\$ 8,664	\$ 84,999	\$ (509)	\$ (927)	\$ (253)	\$ 91,974
Exercise of stock options, net	27	27	(9)	—	—	—	18
Withholding of common stock upon vesting of restricted stock units	20	20	(255)	—	—	—	(235)
Shares issued under the employee stock purchase plan	3	3	67	—	—	—	70
Stock-based compensation	—	—	329	—	—	—	329
Net income	—	—	—	775	—	—	775
Comprehensive income	—	—	—	—	130	—	130
Balance March 31, 2019	<u>8,714</u>	<u>\$ 8,714</u>	<u>\$ 85,131</u>	<u>\$ 266</u>	<u>\$ (797)</u>	<u>\$ (253)</u>	<u>\$ 93,061</u>

Shareholders' Equity, Three Months Ended March 31, 2018 (Unaudited)							
	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Equity
Balance December 31, 2017	6,900	\$ 6,900	\$ 21,581	\$ (6,056)	\$ (733)	\$ (253)	\$ 21,439
Exercise of stock options, net	41	41	167	—	—	—	208
Shares issued under the employee stock purchase plan	3	3	57	—	—	—	60
Stock-based compensation	—	—	333	—	—	—	333
Net income	—	—	—	769	—	—	769
Comprehensive income	—	—	—	—	86	—	86
Balance March 31, 2018	<u>6,944</u>	<u>\$ 6,944</u>	<u>\$ 22,138</u>	<u>\$ (5,287)</u>	<u>\$ (647)</u>	<u>\$ (253)</u>	<u>\$ 22,895</u>

(See accompanying notes to the consolidated financial statements)

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

1. General

In the opinion of management, the accompanying consolidated condensed financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly IntriCon Corporation's ("IntriCon" or the "Company") consolidated financial position as of March 31, 2019 and December 31, 2018, and the consolidated results of its operations, equity and cash flows for the three months ended March 31, 2019 and 2018. Results of operations for the interim periods are not necessarily indicative of the results of operations expected for the full year or any other interim period. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in our 2018 Annual Report on Form 10-K filed with the SEC.

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation. The Company evaluates its voting and variable interests in entities on a qualitative and quantitative basis. The Company consolidates entities in which it concludes it has the power to direct the activities that most significantly impact an entity's economic success and has the obligation to absorb losses or the right to receive benefits that could be significant to the entity.

The Company has evaluated subsequent events occurring after the date of the consolidated financial statements for events requiring recording or disclosure in the consolidated financial statements.

2. Changes in Accounting Policies

The Company's significant accounting policies are detailed in "Note 1: Summary of Significant Accounting Policies" of the Company's Annual Report on Form 10-K for the year ended December 31, 2018. In February 2016, the FASB issued ASU 2016-02 "Leases" (Topic 842). Topic 842 supersedes the lease accounting guidance previously set forth in the Accounting Standards Codification (ASC) Topic 840 "Leases," and requires lessees to recognize a lease liability and a right-of-use asset (ROU) for all leases that extend beyond one year. The Company adopted Topic 842 with a date of initial application of January 1, 2019, which resulted in a ROU asset and lease liability of approximately \$6.0M.

The Company did not apply Topic 842 retrospectively using the transition option in ASU 2018-11, "Targeted Improvements" to ASC 842, to not restate comparative periods in transition and instead to use the effective date of ASC 842, "Leases", as the date of initial application of transition. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard which allowed us to carry forward the historical lease classification.

Changes to the Company's accounting policies as a result of adopting Topic 842 are discussed below:

Short-term lease recognition exemption. The Company adopted the short-term lease recognition exemption as an accounting policy. Accordingly, the Company will not recognize a lease liability and ROU asset for short-term leases in transition and, post-effective date, will continue to recognize short-term leases as expense on a straight-line basis over the lease term. Renewal and purchase options for a lease will be reassessed upon the occurrence of certain discrete reassessment events: (1) the lease term is extended more than 12 months beyond the end of the previously determined lease term or (2) the lessee now concludes that the lessee's exercise of a purchase option is reasonably certain. When a lease no longer qualifies for the short-term lease exemption, the Company will apply ASC 842 guidance on initial recognition and measurement; the commencement date of the lease for this purpose is the date of the change in circumstances.

Accounting for certain leases at a portfolio level. The Company accounts for leases at a portfolio level when the criteria described below are met and it reasonably expects that the application of the lease model to the portfolio will not differ materially from the application to the individual leases in that portfolio. If the applicable criteria are met, the start of the lease term is expected to be the first of the month. The criteria are:

1. Leases are similar in nature (e.g. similar underlying asset such as vehicles);
2. Leases have identical or nearly identical contract provisions, including same lessor; and
3. Leases with effective dates that fall within a narrow window of time (month or quarter) and have the same lease term

For purposes of arriving at the transition adjustment on the effective date, a total of seven vehicle leases were combined into three portfolios.

Combining lease and non-lease components into a single component. The Company elected to adopt this practical expedient for all asset classes. As a result of this election, the consideration included in the lease payments for these asset classes will be greater, resulting in a larger lease liability and ROU asset.

3. Segment Reporting

The Company currently operates in two reportable segments: body-worn devices and hearing health direct-to-end-consumer (DTEC). The nature of distribution and services has been deemed separately identifiable. Therefore, segment reporting has been applied. The following table summarizes data by industry segment:

At and for the Three Months Ended March 31, 2019	Body Worn Devices	Hearing Health DTEC	Total
Revenue, net	\$ 28,479	\$ 1,630	\$ 30,109
Income (loss) before income taxes	2,388	(1,482)	906
Identifiable assets (excluding goodwill)	105,182	4,906	110,088
Goodwill	9,551	1,257	10,808
Depreciation and amortization	749	61	810
Capital expenditures	934	20	954
At and for the Three Months Ended March 31, 2018	Body Worn Devices	Hearing Health DTEC	Total
Revenue, net	\$ 23,572	\$ 1,791	\$ 25,363
Income (loss)	1,222	(453)	769
Identifiable assets (excluding goodwill)	42,121	6,640	48,761
Goodwill	9,551	1,257	10,808
Depreciation and amortization	604	50	654
Capital expenditures	475	10	485

4. Geographic Information

The geographical distribution of long-lived assets to geographical areas consisted of the following at:

	March 31, 2019	December 31, 2018
United States	\$ 10,639	\$ 10,065
Singapore	1,200	1,240
Other	422	427
Consolidated	<u>\$ 12,261</u>	<u>\$ 11,732</u>

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

The geographical distribution of net revenue to geographical areas for the three months ended March 31, 2019 and 2018 were as follows:

Net Revenue to Geographical Areas	Three Months Ended	
	March 31, 2019	March 31, 2018
United States	\$ 24,215	\$ 20,459
Europe	2,203	2,278
Asia	3,509	2,468
All other countries	182	158
Consolidated	<u>\$ 30,109</u>	<u>\$ 25,363</u>

Geographic net revenue is allocated based on the location of the customer.

For the three months ended March 31, 2019, one customer accounted for 57% of the Company's consolidated net revenue. For the three months ended March 31, 2018, one customer accounted for 54% of the Company's consolidated net revenue.

Two customers combined accounted for 49% and 52% of the Company's consolidated accounts receivable at March 31, 2019 and December 31, 2018, respectively.

One customer accounted for 67% and 78% of the Company's consolidated contract assets at March 31, 2019 and December 31, 2018, respectively.

5. Investment in Partnerships

Investment in partnerships consisted of the following:

	March 31, 2019	December 31, 2018
Investment in Signison	\$ 1,138	\$ 865
Investment in and cash advance for Soundperience	—	1,022
Other	186	204
Total	<u>\$ 1,324</u>	<u>\$ 2,091</u>

The Company has a 50% ownership interest in Signison as of March 31, 2019. Signison is accounted for in the Company's financial statements using the equity method.

As of December 31, 2018, the Company held a 49% ownership interest in Soundperience, which was accounted for using the equity method. In January 2019, the Company purchased the source code for the Sentibo Smart Brain self-fitting software from Soundperience in exchange for 1,750 Euros, our 49% ownership and the related license agreement. See Note 8.

6. Investment Securities

The Company currently invests in commercial paper, corporate notes and bonds with original maturities of not more than two years. The Company classifies these investments as held to maturity based on our intent and ability to hold these investments until maturity. As a result, these investments are recorded at amortized cost, which approximates fair value as of March 31, 2019. As of December 31, 2018, the Company invested in certain liquid investment securities which were classified as available for sale investments and measured at fair value based on Level 1 inputs.

The maturity dates of our investments as of March 31, 2019 are as follows:

	<u>Less than one year</u>	<u>1-5 years</u>	<u>Total</u>
Commercial Paper Original Maturities of 91 Days or More	\$ 6,602	\$ —	\$ 6,602
Corporate Notes and Bonds	9,406	15,228	24,634
Total Investments	<u>\$ 16,008</u>	<u>\$ 15,228</u>	<u>\$ 31,236</u>

7. Inventories

Inventories consisted of the following at:

	<u>Raw materials</u>	<u>Work-in process</u>	<u>Finished products and components</u>	<u>Total</u>
March 31, 2019				
Domestic	\$ 10,926	\$ 2,403	\$ 1,284	\$ 14,613
Foreign	2,726	867	928	4,521
Total	<u>\$ 13,652</u>	<u>\$ 3,270</u>	<u>\$ 2,212</u>	<u>\$ 19,134</u>
December 31, 2018				
Domestic	\$ 10,657	\$ 2,484	\$ 1,583	\$ 14,724
Foreign	2,671	653	933	4,257
Total	<u>\$ 13,328</u>	<u>\$ 3,137</u>	<u>\$ 2,516</u>	<u>\$ 18,981</u>

8. Other Assets, Net

Other assets, net consisted of the following at:

	March 31, 2019	December 31, 2018
Fitting Software	\$ 3,679	\$ —
NXP Tech	2,161	2,259
Other	685	1,229
Total	<u>\$ 6,525</u>	<u>\$ 3,488</u>

In January 2019, the Company purchased the source code for self-fitting software from Soundperience for 1,750 Euros and also transferred our 49% ownership interest in Soundperience to the majority owner, positioning the Company to capitalize on the upcoming over-the-counter (OTC) hearing aid regulations. The Company has capitalized the self-fitting software within other assets, net based on the cost of the consideration transferred and will begin amortizing the asset when it is placed into service. Included in the capitalized cost of the self-fitting software is \$586 of cash paid at closing as well as noncash amounts of \$869 that are due in future quarterly installments over the next four years, \$533 due in January 2023 and \$1,691 for the value of the partnership and license agreement transferred. The future payments are due in Euros and the related liabilities will be revalued based on exchange rates as of each reporting period.

9. Leases

The Company leases pertain primarily to engineering, manufacturing, sales and administrative facilities, with an initial term of one year or more. The Company has three leased facilities in Minnesota, two that expire in 2022 and one that expires in 2023, one leased facility in Illinois that expires in 2021 and, one leased facility in Singapore that expires in 2020, one leased facility in Indonesia that expires in 2021, one leased facility in the United Kingdom that expires in 2021, and one leased facility in Germany that expires in 2022.

Certain foreign leases allow for variable lease payments that depend on an index or a market rate adjustment for the respective country and are adjusted on an annual basis. The adjustment is recognized as incurred in profit and loss. The facility leases include options to extend for terms ranging from one to five years. Lease options that the Company is reasonably certain to execute, will be included in the determination of the ROU asset and lease liability. The Company also leases various computer equipment that include bargain purchase options at termination. These leases have been classified as finance leases.

For the three months ended March 31, 2019, the Company has a weighted-average lease term of 1.9 years for its finance leases, and 3.2 years for its operating leases. For the three months ended March 31, 2019, the Company has a weighted-average discount rate of 5.56% for its finance leases, and 5.50% for its operating leases. Operating cash flows for the three months ended March 31, 2019 from financing leases and operating leases were \$27 and \$510, respectively. Financing lease assets are classified as machinery and equipment within the balance sheet.

The following tables summarizes lease costs by type:

	March 31, 2019
Lease cost	
Finance lease cost:	
Amortization of right-of-use assets	\$ 25
Interest on lease liabilities	3
Operating lease cost	502
Variable lease cost*	144
Total lease cost	<u>\$ 674</u>

*Variable lease costs consist primarily of taxes, insurance, and common area or other maintenance costs for our domestic and foreign building leases.

Maturities of lease liabilities are as follows:

	Operating Leases	Financing Leases	Total
2019	\$ 1,490	\$ 80	\$ 1,570
2020	1,825	98	1,923
2021	1,490	24	1,514
2022	924	—	924
2023	353	—	353
2024 and thereafter	281	8	289
Total lease payments	6,363	210	6,573
Less: Interest	(633)	(11)	(644)
Present value of lease liabilities	\$ 5,730	\$ 199	\$ 5,929

As previously disclosed in Note 20 of the Notes to the Consolidated Financial Statements in our 2018 Annual Report on Form 10-K, prior to the adoption of ASU 2016-02, *Leases (Topic 842)*, the future minimum payments required under lease agreements as of December 31, 2018 were 2019 - \$2,417; 2020 - \$2,255; 2021 - \$1,689; 2022 - \$950; 2023 - \$188.

10. Income Taxes

Income tax expense for the three months ended March 31, 2019 was \$131 compared to \$187 for the same period in 2018. The expense for the three months ended March 31, 2019 and 2018, was due to both domestic and foreign operations. The Company has net operating loss carryforwards for U.S. federal income tax purposes, however, due to the new tax legislation, there are limitations on the use of certain of the carryforwards and therefore the Company has recorded a full valuation allowance against the deferred tax asset.

The following was the income before income taxes for each jurisdiction in which the Company has operations for the three months ended March 31, 2019 and 2018.

	Three Months Ended	
	March 31, 2019	March 31, 2018
United States	\$ 884	\$ 852
Singapore	117	248
Indonesia	21	21
United Kingdom	(192)	(236)
Germany	76	71
Income before income taxes	\$ 906	\$ 956

11. Shareholders' Equity and Stock-based Compensation

The Company has a 2006 Equity Incentive Plan and a 2015 Equity Incentive Plan. The 2015 Equity Incentive Plan replaced the 2006 Equity Incentive Plan and new grants may not be made under the 2006 Plan.

Under the 2015 Equity Incentive Plan, the Company may grant stock options, stock awards, stock appreciation rights, restricted stock units ("RSUs") and other equity-based awards. Under all awards, the terms are fixed on the grant date.

The Company granted 23 RSUs in the first quarter of 2019. The closing price of the Company's common stock on the date of grant was \$26.61. The RSUs vest in equal, annual installments over a three year period beginning on the first anniversary of the date of grant at which time common stock is issued with respect to vested units.

The Company has also granted stock options under the plans. Options granted under the plans generally vest in equal, annual installments over a three year period beginning on the first anniversary of the date of grant and have a maximum term of 10 years.

Stock award activity as of and during the three months ended March 31, 2019 was as follows:

	Outstanding Awards			Stock Option Weighted- Average Exercise Price (a)	Aggregate Intrinsic Value
	Stock Options	RSUs	Total		
Outstanding at December 31, 2018	830	98	928	\$ 5.59	
Forfeited, cancelled or expired	(1)	—	(1)	4.00	
Granted	—	23	23	—	
Exercised or vested	(31)	(29)	(60)	2.10	
Outstanding at March 31, 2019	798	92	890	\$ 5.68	\$ 17,266
Exercisable at March 31, 2019	638	—	638	\$ 6.10	\$ 12,107
Available for future grant at December 31, 2018			249		
Available for future grant at March 31, 2019			231		

(a) The weighted average exercise price calculation does not include outstanding RSUs

The number of shares available for future grants at March 31, 2019 does not include a total of up to 400 shares subject to options outstanding under the 2006 Equity Incentive Plan, which will become available for grant under the 2015 Equity Incentive Plan as outstanding options under the 2006 Equity Incentive Plan expire, terminate, are cancelled or forfeited or are withheld in a net exercise of such options.

The Company recorded \$329 and \$333 of non-cash stock compensation expense for the three months ended March 31, 2019 and 2018, respectively. As of March 31, 2019, there was \$2,176 of total unrecognized compensation costs related to non-vested stock option and RSU awards that are expected to be recognized over a weighted-average period of 1.91 years. The total intrinsic value of options exercised during the three months ended March 31, 2019 was \$1,480.

The Company also has an Employee Stock Purchase Plan (the "Purchase Plan"). The Purchase Plan, as amended, through March 31, 2019, provides that a maximum of 300 shares may be sold under the Purchase Plan. There were 3 and 1 shares purchased under the plan for the three months ended March 31, 2019 and 2018, respectively.

12. Income Per Share

The following table presents a reconciliation between basic and diluted earnings per share:

	Three Months Ended	
	March 31, 2019	March 31, 2018
Numerator:		
Net income	\$ 775	\$ 769
Denominator:		
Basic – weighted shares outstanding	8,705	6,929
Weighted shares assumed upon exercise of stock options	677	914
Diluted – weighted shares outstanding	9,382	7,843
Basic net income per share:	\$ 0.09	\$ 0.11
Diluted net income per share:	\$ 0.08	\$ 0.10

The dilutive impact summarized above relates to the periods when the average market price of Company stock exceeded the exercise price of the potentially dilutive options. Earnings per common share was based on the weighted average number of common shares outstanding during the periods when computing the basic earnings per share. When dilutive, stock options are included as equivalents using the treasury stock method when computing the diluted earnings per share. Shares represented by RSUs are also included in the dilution calculation. Individual components of basic and diluted income per share may not sum to the total income per share due to rounding.

No options or RSUs were excluded from the dilutive calculation for the three months ended March 31, 2019 and March 31, 2018.

13. 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 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.

14. Related-Party Transactions

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 the Company's Board of Directors. For the three months ended March 31, 2019, the Company paid that firm approximately \$71 for legal services and costs. For the three months ended March 31, 2018, the Company paid that firm approximately \$103 for legal services and costs. The Chairman of our Board of Directors is considered independent under applicable Nasdaq and Securities and Exchange Commission 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. On May 1, 2019, the Chairman retired from the Company's Board of Directors.

In January 2019, the Company purchased the source code for the Sentibo Smart Brain self-fitting software from Soundperience, an entity in which we owned 49%, for 1,750 Euros and the transfer back of our full ownership interest in Soundperience. See Note 8.

15. Revenue by Market

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

Timing of revenue recognition for the three months ended March 31, 2019:

	<u>Products and services transferred at point in time</u>	<u>Products and services transferred over time</u>	<u>Total</u>
Medical Biotelemetry:			
Diabetes	\$ —	\$ 17,164	\$ 17,164
Other Medical	—	3,629	3,629
Hearing Health:			
Value Based DTEC	1,630	—	1,630
Value Based ITEC	2,577	—	2,577
Legacy OEM	3,342	—	3,342
Professional Audio Communications:	1,767	—	1,767
Total Net Revenue	<u>\$ 9,316</u>	<u>\$ 20,793</u>	<u>\$ 30,109</u>

Timing of revenue recognition for the three months ended March 31, 2018:

	<u>Products and services transferred at point in time</u>	<u>Products and services transferred over time</u>	<u>Total</u>
Medical Biotelemetry:			
Diabetes	\$ —	\$ 13,562	\$ 13,562
Other Medical	—	2,371	2,371
Hearing Health:			
Value Based DTEC	1,791	—	1,791
Value Based ITEC	2,629	—	2,629
Legacy OEM	3,181	—	3,181
Professional Audio Communications:	1,829	—	1,829
Total Net Revenue	<u>\$ 9,430</u>	<u>\$ 15,933</u>	<u>\$ 25,363</u>

16. Subsequent Events

On April 17, 2019, the Company entered into a Thirteenth Amendment to the Loan and Security Agreement with CIBC Bank USA to reduce our borrowing capacity to \$7,000; lessen restrictions surrounding acquisitions, business investments, distributions and disposition of assets; eliminate the mandatory prepayment requirement with respect to proceeds from asset sales and capital and debt financings; and eliminate the annual capital expenditure covenant.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

Headquartered in Arden Hills, Minnesota, IntriCon Corporation (together with its subsidiaries referred to as the "Company", "IntriCon," "we", "us" or "our") is an international company engaged in designing, developing, engineering, manufacturing and distributing body-worn devices. In addition to its operations in Minnesota, the Company has facilities in Illinois, Singapore, Indonesia, Germany and the United Kingdom.

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation. The Company evaluates its voting and variable interests in entities on a qualitative and quantitative basis. The Company consolidates entities in which it concludes it has the power to direct the activities that most significantly impact an entity's economic success and has the obligation to absorb losses or the right to receive benefits that could be significant to the entity.

The Company's significant accounting policies are detailed in "Note 1: Summary of Significant Accounting Policies" of the Company's Annual Report on Form 10-K for the year ended December 31, 2018. In February 2016, the FASB issued ASU 2016-02 "Leases" (Topic 842). Topic 842 supersedes the lease accounting guidance previously set forth in the Accounting Standards Codification (ASC) Topic 840 "Leases," and requires lessees to recognize a lease liability and a right-of-use asset for all leases that extend beyond one year. The Company adopted Topic 842 with a date of initial application of January 1, 2019.

Information contained in this section of this Quarterly Report on Form 10-Q and expressed in U.S. dollars is presented in thousands (000s), except for per share data and as otherwise noted.

Market Overview

IntriCon serves the body-worn device market by designing, developing, engineering, manufacturing and distributing micro-miniature products, microelectronics, micro-mechanical assemblies, complete assemblies and software solutions, primarily for the medical biotelemetry market, the emerging value based hearing healthcare market, the hearing health direct-to-end-consumer market and the professional audio communication market. Revenue from markets is reported on the respective medical biotelemetry, hearing health, hearing health direct-to-end-consumer and professional audio lines in the discussion of our results of operations in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 15 "Revenue by Market" to the Company's consolidated condensed financial statements included herein.

Hearing Healthcare Market

In the United States alone, there are approximately 40 million adults that report some degree of hearing loss. In adults, the most common cause of hearing loss is aging and noise. In fact, by the age of 65, one out of three people have hearing loss. The hearing-impaired population is expected to grow significantly over the next decade due to an aging population and more frequent exposure to loud sounds that can cause noise-induced hearing loss. It is estimated that hearing aids can help more than 90 percent of people with hearing loss, however the current market penetration into the U.S. hearing impaired population is approximately 20 percent, a percentage that has remained essentially unchanged for the last four decades. The primary deterrents to greater penetration are cost and access. Along with this, the legacy hearing aid distribution channel is an oligopoly of six large hearing aid manufacturers who utilize bricks and mortar and licensed audiologists to sell devices while controlling the channel dynamics. As a result, the average cost of a hearing aid sold in the US market today is over \$2,400 per device, more than double the cost from fifteen years ago. Approximately 70 percent of the hearing impaired have hearing loss in both ears (referred to as a binaural loss), driving the total cost to almost \$5,000 on average for a set of hearing aids.

Today in the US market, the legacy channel pushes all hearing impaired through the same inefficient, costly channel. However, a very large portion of the hearing-impaired market – mostly notably those with mild to moderate losses – could be better served with the proper combination of high quality, outcome-based devices, advanced fitting software and consumer services/care best practices – all at much lower cost. We believe fundamental change is needed and are excited about the opportunity that we created through thoughtful hard work and planning: a chance to deliver superior outcomes-based affordable hearing healthcare, by combining state-of-the-art devices and software technology, along with best practices customer service and at a much lower cost directly to consumers across the country, many of whom have not been able to afford care previously.

We believe a perfect vortex of factors has come together over the last few years to enable the emergence of a market disruptive, high-quality, low cost distribution model. These factors include the continued consolidation of retail (causing escalating hearing aid prices), consumer outcry, consumer education, advancements in technology (such as behind-the-ear devices, advanced digital signal processing, low-power wireless, and self-fitting software) as well as regulatory actions and pronouncements by the U.S. Food and Drug Administration (FDA), the President's Council of Advisors on Science and Technology and the National Academies of Science, Engineering and Medicine.

In early January 2016, the FDA weighed in on low hearing aid penetration rates with an announcement that highlighted statistics from the National Institute on Deafness and Other Communication Disorders. They found that 37.5 million U.S. adults aged 18 and older report some form of hearing loss. However, only 30 percent of adults over 70, and 16 percent of those aged 20 to 69, who could benefit from wearing hearing aids, have ever used them. Based on these statistics, the FDA reopened the public comment period on draft guidance related to the agency's premarket requirements for hearing aids and personal sound amplifiers (PSAPs). In April 2016, the FDA hosted a public workshop to, among other things, gather stakeholder and public input on draft guidance related to the agency's premarket requirements for hearing aids and PSAPs. The FDA's intent was to consider ways in which it can most effectively regulate hearing aids to promote accessibility and affordability while encouraging innovation. In December 2016, the FDA announced important steps to better support consumer access to hearing aids. The agency issued a guidance document explaining that it does not intend to enforce the requirement that individuals age 18 and older receive a medical evaluation or sign a waiver prior to purchasing most hearing aids, effective immediately. It also announced its commitment to consider creating a category of over-the-counter (OTC) hearing aids.

Furthermore, there were significant public policy developments during 2017. On August 18, 2017, President Donald Trump signed into law H.R. 2430, the FDA Reauthorization Act of 2017, which included a section concerning the regulation of OTC hearing aids. The law is designed to enable adults with mild to moderate hearing loss to access OTC hearing aids without being seen by a hearing care professional. The law requires the FDA to create and regulate a category of OTC hearing aids to ensure they meet the same high standards for safety, consumer labeling, and manufacturing protection that all other medical devices must meet. Additionally, the law mandates that the FDA establish an OTC hearing aid category for adults with "perceived" mild to moderate hearing loss within three years of passage of the legislation. The FDA also must finalize a rule within 180 days after the close of the comment period, detailing what level of safety, labeling and consumer protections will be included. We believe this law has the potential to remove the significant barriers existing today that prevent innovative hearing health solutions. We believe that this law will invigorate competition, spur innovation and facilitate the development of an ecosystem of hearing health care that provides affordable and accessible solutions to millions of unserved or underserved Americans. Today, IntriCon serves both the value-based hearing healthcare channel and the legacy hearing health channel.

Value-Based Hearing Healthcare

The Company believes the value-based hearing healthcare (VBHH) market offers significant growth opportunities. In contrast to the legacy channel dynamics, the VBHH market channel is flexible and able to serve the end consumer through a variety of modalities which may include self-fitting, remote programing and adjustments, customer support call centers and bricks and mortar stores. The average price of a hearing aid sold through this channel is less than twenty-five percent of the average \$2,400 device price typically sold through the legacy channel. The Company recently commissioned an ethnographic research study, which identified a \$3+ billion annual VBHH market opportunity, fueled by an immediate addressable market of 6.8 million dissatisfied hearing aid users and 6.6 million current non-hearing aid users. In addition, this study assisted us in identifying our customer, various customer segmentations and personas. To best approach this market opportunity, we have focused our efforts to serve both the value-based Direct-to-End-Consumer (DTEC) and value-based Indirect-to-End-Consumer (ITEC) channels. Over the past decade we have invested in the manufacturing footprint, product technology and fitting software to provide individuals access to affordable, quality outcomes-based hearing healthcare.

Our DTEC represents a channel that sells products and services directly to the end consumer, which today consists of our HHE business. In December of 2017, we purchased the remaining 80% of HHE, a direct-to-end-consumer mail order hearing aid provider. However, the Company had been preparing to address this market long before the acquisition of HHE and has spent the last decade investing in the technology and low-cost manufacturing to design and build superior devices and fitting solutions. With this acquisition, we believe we now have the channel infrastructure to directly reach consumers and—importantly for millions—the ability to offer high-quality hearing healthcare at a fraction of the cost. The Company’s devices and technologies coupled with HHE’s high-touch care, outcomes based, and hassle free telemedicine model has created a complete eco-system of hearing healthcare in which the Company intends to serve the \$3+ billion market. Through our other VBHH initiatives and tests, we have formed alliances with other key partners, which have given us experience and vital insight as we move aggressively into a more consumer-facing role. HHE provides an efficient, direct-to-end-consumer channel to reach consumers who likely do not have insurance covering hearing devices. This is a channel that we can build on and expand via technology—and one that is complementary with many of our existing relationships.

The Company is also focused on serving its value-based ITEC customers, who also sell products and services directly to the end consumer. We have established ourselves as a leader in supplying this portion of the market with advanced, outcome-based products and accessories. The Company has formed strong relationships with various customers in the channel, including insurance providers, and geriatric product retailers and other indirect-to-end-consumer hearing aid providers.

In January 2019, the Company purchased the source code for the Sentibo Smart Brain self-fitting software from Soundperience, positioning the Company to capitalize on the upcoming OTC hearing aid regulations. Sentibo Smart Brain self-fitting software is designed to improve both channel productivity and the quality of first-time fittings, resulting in lower prices, greater access and increased customer satisfaction.

We strongly believe that incorporating self-fitting technology is a critical step in creating our high-quality, low-cost hearing healthcare ecosystem. The Sentibo Smart Brain self-fitting software technology has the potential to drastically reduce the price of hearing aids, drive greater access and increase customer satisfaction.

Legacy Hearing Health Channel

We also believe there are niches in the legacy hearing health channel that will embrace our outcomes-based products and technologies in the United States and Europe. High costs of legacy devices and retail consolidation have constrained the growth potential of the independent audiologist and dispenser. We believe our software and product offering can provide independent audiologists and dispensers the ability to compete with larger retailers, such as Costco, and manufacturer owned retail distributors.

Medical Biotelemetry

In the medical biotelemetry market, the Company is focused on sales of biotelemetry devices for life-critical diagnostic monitoring. The Company manufactures microelectronics, micro-mechanical assemblies, high-precision injection-molded plastic components and complete biotelemetry devices for leading and emerging medical device manufacturers. The medical industry is faced with pressures to reduce the cost of healthcare. Driven by its core technologies, IntriCon helps shift the point of care from expensive traditional settings, such as hospitals, to less expensive non-traditional settings like the home. IntriCon currently serves this market by offering medical manufacturers the capabilities to design, develop, manufacture and distribute medical devices that are easier to use, are more miniature, use less power, and are lighter. Increasingly, the medical industry is looking for wireless, low-power capabilities in their devices.

IntriCon currently has a presence in the diabetes, cardiac and catheter positioning markets. For diabetes, IntriCon works with Medtronic to manufacture their wireless continuous glucose monitors (CGM), sensor assemblies, and accessories associated with Medtronic’s insulin pump and CGM system. In August 2016, the FDA approved the MiniMed 630G system which is intended to replace Medtronic’s MiniMed 530G system. In September 2016, the FDA approved the next generation MiniMed 670G insulin pump system, into which IntriCon components are also designed. The MiniMed 670G is the world’s first hybrid closed loop insulin delivery system and we are excited that our components are designed into and support such a revolutionary diabetes management system. In June 2017, the 670G was launched in the U.S. and Medtronic began fulfilling orders from patients enrolled in their Priority Access Program. In parallel, Medtronic began taking new orders from interested customers who want to be next in line to receive the system after the Priority Access orders are filled. In March 2018, the FDA approved the Guardian Connect, Medtronic’s standalone CGM system that allows patients to stay ahead of high and low glucose events. Looking ahead, 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.

IntriCon has a suite of medical coils and micro coils that it offers to various original equipment manufacturing (OEM) customers. These products are currently used in pacemaker programming and interventional catheter positioning applications. We recently secured a new large medical customer for our proprietary medical coils to be used for pacemaker programming in their devices.

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.

Throughout 2018, we expanded our infrastructure to support anticipated growth from current medical biotelemetry customers and future growth from increased business development. Expansion efforts in 2018 included a newly leased 37,000-square-foot medical biotelemetry manufacturing and clean room facility in Minnesota, an additional 10,000-square-foot medical assembly space in Singapore, 13 new molding presses and a high-speed printed circuit board assembly line. In addition to these investments, our current customers invested several million dollars in tooling and automation within our facilities. While we have begun limited production on certain products in our new facilities, we are still working with current medical biotelemetry customers to complete required validation and qualification of several key production lines. We anticipate having all validation and qualification of our equipment and production lines related to the recent expansion complete by the end of 2019.

The Company is committed to increasing investments to support its medical biotelemetry business development efforts. In early 2019, the Company hired a vice president of medical business development, to leverage our core competencies and diversify our medical revenue base. The Company believes it has a significant opportunities to serve the emerging biotelemetry and home care markets through its already developed core competencies and capabilities to develop devices that are more technologically advanced, smaller and lightweight.

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.

Core Technologies Overview:

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

ULP DSP

DSP converts real-world analog signals into a digital format. Through our nanoDSP™ technology, IntriCon offers an extensive range of ULP DSP amplifiers for hearing, medical and professional audio applications. Our proprietary nanoDSP incorporates advanced ultra-miniature hardware with sophisticated signal processing algorithms to produce devices that are smaller and more effective. The Company further expanded its DSP portfolio including improvements to its Reliant CLEAR™ feedback canceller, offering increased added stable gain and faster reaction time. Additionally, the DSP technologies are utilized in the Audion8™, our eight-channel hearing aid amplifier, and the Audion16™, our wide dynamic range compression sixteen-channel hearing aid amplifier. The amplifiers are feature-rich and are designed to fit a wide array of applications. In addition to multiple compression channels, the amplifiers have a complete set of proven adaptive features which greatly improve the user experience.

ULP Wireless

Wireless connectivity is fast becoming a required technology, and wireless capabilities are especially critical in new body-worn devices. IntriCon's platform of wireless technology offers solutions for transmitting the body's activities to caregivers and wireless audio links for professional communications and surveillance products, including diabetes monitoring and audio streaming for hearing devices.

IntriCon has completed the commercialization of the third generation of Physiolink (Physiolink 3) wireless technology, which will be incorporated into product platforms serving the medical biotelemetry, hearing health, hearing health direct-to-end-consumer 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 and command and control to ear-worn and body-worn applications over distances of up to ten meters. The Physiolink 3 technology can be used to increase productivity in the emerging VBHH channels through in office wireless programming, remote cloud based fitting and consumer directed self-fitting of hearing aids. This will provide both greater access and lower costs for patients. In addition, remote control functions will improve the patient experience while using the device especially for those with diminished dexterity. The Physiolink 3 technology builds on the Physiolink 2 capabilities by adding wireless streaming at, what we believe, are much lower power levels than any technology currently on the market. This will allow for accessories to enhance the user experience in noisy environments by allowing audio streaming directly to the hearing aid.

Fitting Software

The ability to efficiently and effectively fit hearing aids is critical to building a value based eco-system of hearing healthcare. By developing more advanced fitting software systems, individuals can benefit from fittings that conform to their specific loss, while eliminating the need for an in-person appointment. In addition to the traditional fitting software, IntriFit, used in the conventional channel, IntriCon has made significant investments in various advanced fitting software solutions, including its purchase of the source code for the Sentibo Smart Brain self-fitting software, that can enable remote and self-fitting solutions. IntriCon believes these advanced fitting solutions, along with the other components of the eco-system, will drive access, affordability and superior customer satisfaction to the millions of individuals that cannot receive care today, primarily due to high cost and low access.

In January 2019, the Company purchased the source code for the Sentibo Smart Brain self-fitting software from Soundperience. The Sentibo Smart Brain System is the first psycho-acoustic way of analyzing peripheral hearing and central hearing processing. It was developed by an international research team based on the latest scientific findings from the fields of audiology and brain research. We believe this software technology is a critical component to our domestic value-based hearing healthcare model. Sentibo, as well as our other proprietary fitting systems, are designed to improve both channel productivity and the quality of first-time fittings, resulting in lower prices, greater access and increased customer satisfaction. IntriCon expects to introduce our advanced fitting solutions through our various VBHH channels in 2019.

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 that with the increase of greater interventional care, our coil technology harbors significant value.

Forward-Looking and Cautionary Statements

Certain statements included in this Quarterly Report on Form 10-Q or documents the Company files with the Securities and Exchange Commission, which are not historical facts, or that include forward-looking terminology such as “may”, “will”, “believe”, “anticipate”, “expect”, “should”, “optimistic” “continue”, “estimate”, “intend”, “plan”, “would”, “could”, “guidance”, “potential”, “opportunity”, “project”, “forecast”, “confident”, “projections”, “schedule”, “designed”, “future”, “discussion”, “if” or the negative thereof or other variations thereof, are forward-looking statements (as such term is defined in Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933, and the regulations thereunder), which are intended to be covered by the safe harbors created thereby. These statements may include, but are not limited to statements in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Notes to the Company’s Condensed Consolidated Financial Statements” such as net operating loss carryforwards, the ability to meet cash requirements for operating needs, the ability to meet liquidity needs, assumptions used to calculate future level of funding of employee benefit plans, the adequacy of insurance coverage and 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, strategic alliances and their benefits, government regulation, potential increases in demand for the Company’s products, 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 markets, estimates of goodwill impairments and amortization expense of other intangible assets, 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 factors that may cause actual results to differ materially from those in the forward-looking statements. In addition to the factors discussed in this Quarterly Report on Form 10-Q, certain risks, uncertainties and other factors can cause actual results and developments to be materially different from those expressed or implied by such forward-looking statements, including, without limitation, the following:

- our ability to successfully implement our business and growth strategy;
- risks arising in connection with the insolvency of our former subsidiary, Selas SAS, and potential liabilities and actions arising in connection with the insolvency;
- the volume and timing of orders received by the Company, particularly from Medtronic and hi Health;
- changes in estimated future cash flows;
- our ability to collect our accounts receivable;
- foreign currency movements in markets that we serve;
- changes in the global economy and financial markets;
- weakening demand for our products due to general economic conditions;
- changes in the mix of products sold;
- our ability to meet demand;
- changes in customer requirements;
- FDA approval, timely release and acceptance of our products and the products of our customers;
- competitive pricing pressures;
- pending and potential future litigation;
- cost and availability of electronic components and commodities for our products;
- our ability to create and market products in a timely manner and develop products that are inexpensive to manufacture;

- the loss of one or more of our major customers;
- our ability to identify, complete and integrate acquisitions;
- effects of legislation;
- effects of foreign operations;
- our ability to develop new products;
- our ability to recruit and retain engineering and technical personnel;
- the costs and risks associated with research and development investments;
- our ability and the ability of our customers to protect intellectual property;
- cybersecurity threats;
- loss of members of our senior management team; and
- other risk factors set forth in our most recent Annual Report on Form 10-K or any prior Quarterly Report on Form 10-Q, which are incorporated by reference into this Report.

For a description of these and other risks, see Part I, “Item 1A. Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, and other risks described elsewhere in this Quarterly Report on Form 10-Q, or in other filings the Company makes from time to time with the Securities and Exchange Commission. 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.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain 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 their significance to the consolidated condensed financial statements and the possibility that future events affecting them may differ markedly. The accounting policies of the Company with significant estimates and assumptions include the Company’s revenue recognition, accounts receivable reserves, inventory valuation, goodwill, long-lived assets, deferred taxes policies, employee benefit obligations, lease assets and liabilities and investment securities. These and other significant accounting policies are described in and incorporated by reference from “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and Note 1 to the consolidated financial statements contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

Results of Operations

Revenue, net

Below is a summary of our revenue by main markets for the three months ended March 31, 2019 and 2018:

Three Months Ended March 31	2019	2018	Change	
			Dollars	Percent
Medical Biotelemetry:				
Diabetes	\$ 17,164	\$ 13,562	\$ 3,602	26.6%
Other Medical	3,629	2,371	1,258	53.1%
Total	\$ 20,793	\$ 15,933	\$ 4,860	30.5%
Hearing Health:				
Value Based DTEC	\$ 1,630	\$ 1,791	\$ (161)	-9.0%
Value Based ITEC	2,577	2,629	(52)	-2.0%
Legacy OEM	3,342	3,181	161	5.1%
Total	\$ 7,549	\$ 7,601	\$ (52)	-0.7%
Professional Audio Communications	\$ 1,767	\$ 1,829	\$ (62)	-3.4%
Total Net Revenue	\$ 30,109	\$ 25,363	\$ 4,746	18.7%

For the three months ended March 31, 2019, we experienced an increase of 26.6% in net revenue in the diabetes medical biotelemetry market compared to the same period in 2018. Medtronic revenues were up year-over-year and we continue to anticipate Medtronic revenue growth throughout 2019 driven by market share growth for legacy products and the introduction of new products. 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 the diabetes market with its Medtronic partnership. The Company believes there are growth opportunities in this market as well other emerging biotelemetry and home care markets that could benefit from its capabilities to develop devices that are more technologically advanced, smaller and lightweight.

All other medical net revenue for the three months ended March 31, 2019 increased 53.1% compared to the same period in 2018. The increase was driven by the addition of a new customer in our medical coils business.

Net revenue in our hearing health business for the three months ended March 31, 2019 decreased 0.7% compared to the same period in 2018. The modest revenue decrease during the quarter was largely due to the impact of a customer's product cycle in the Company's Indirect-to-End-Consumer channel and underperforming advertising spend in its Direct-to-End-Consumer channel.

Net revenue in our hearing health direct-to-end-consumer business for the three months ended March 31, 2019 decreased 9.0% compared to the same period in 2018. As noted above, the decrease was primarily due to underperforming advertising spend.

Net revenue to the professional audio device sector decreased 3.4% for the three months ended March 31, 2019 compared to the same period in 2018. IntriCon will continue to leverage its core technology in professional audio to support existing customers, as well as pursue related hearing health and medical product opportunities.

Gross profit

Gross profit, both in dollars and as a percent of revenue, for the three months ended March 31, 2019 and 2018, was as follows:

Three Months Ended March 31	2019		2018		Change	
	Dollars	Percent of Revenue	Dollars	Percent of Revenue	Dollars	Percent
Gross Profit	\$ 8,751	29.1%	\$ 8,412	33.2%	\$ 339	4.0%

The 2019 gross profit decreased over the comparable prior year period primarily due to the ongoing validation and qualification expense as well as excess capacity related to the recent manufacturing expansion to meet the higher volume requirements of our existing and future customers.

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

Sales and marketing, general and administrative and research and development expenses for the three months ended March 31, 2019 and 2018 were as follows:

Three Months Ended March 31	2019		2018		Change	
	Dollars	Percent of Revenue	Dollars	Percent of Revenue	Dollars	Percent
Sales and Marketing	\$ 3,536	11.7%	\$ 2,840	11.2%	\$ 696	24.5%
General and Administrative	3,425	11.4%	3,061	12.1%	364	11.9%
Research and Development	965	3.2%	1,159	4.6%	(194)	-16.7%

Sales and marketing expenses increased over the prior year due to increased DTEC marketing and support costs. General and administrative expenses were greater than the prior year period primarily due to increased other outside service and support costs. Research and development decreased over the prior year due to a reduction in outside service and support costs.

Interest income (expense), net

Interest income (expense), net for the three months ended March 31, 2019 was \$215 compared to (\$188) for the comparable three-month period in 2018. This increase is due to the payoff of all of our credit facility debt in 2018 which reduced our interest expense along with interest income in the current year on our investment accounts.

Other expense, net

Other expense, net for the three months ended March 31, 2019 was \$134 compared to \$208 for the same period in 2018. The change in other expense, net is primarily due to the elimination of the Soundperience equity in losses as we no longer hold a partnership interest in this entity.

Income tax expense

Income tax expense for the three months ended March 31, 2019 was \$131 compared to \$187 for the same period in 2018.

Liquidity and Capital Resources

As of March 31, 2019, we had \$13,190 of cash on hand. Sources of our cash for the three months ended March 31, 2019 have been from our operating and investing activities, as described below. The Company's cash flows from operating, investing and financing activities, as reflected in the statement of cash flows, are summarized as follows:

	Three Months Ended	
	March 31, 2019	March 31, 2018
Cash provided by (used in):		
Operating activities	\$ 435	\$ (1,255)
Investing activities	4,855	(649)
Financing activities	(179)	1,823
Effect of exchange rate changes on cash	32	120
Net increase in cash	\$ 5,143	\$ 39

The most significant items that contributed to the \$435 of cash provided by operating activities was net income of \$775, a decrease in accounts receivable and other current assets and add backs for non-cash depreciation and amortization and stock-based compensation expense partially offset by decreases in accounts payable and accrued expenses as well as increases in inventory and contract assets.

Net cash provided by investing activities of \$4,855 primarily consisted of proceeds from sale and maturity of investment securities partially offset by purchases of machinery and equipment, investment securities and intangible assets along with our investments in partnerships.

Net cash used in financing activities of (\$179) was comprised primarily from the withholding of shares from vesting RSU awards to pay withholding taxes and the payment of financing leases partially offset by cash received from the exercise of stock options and employee stock purchase plan shares.

The Company had the following bank arrangements:

Domestic Credit Facilities

The Company and its domestic subsidiaries are parties to a credit facility with CIBC Bank USA. The credit facility, as amended through March 31, 2019, provides for a \$11,000 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. The credit facility matures on December 15, 2022.

On April 17, 2019, the Company entered into a Thirteenth Amendment to the Loan and Security Agreement

with CIBC Bank USA to reduce our borrowing capacity to \$7,000; lessen restrictions surrounding acquisitions, business investments, distributions and disposition of assets; eliminate the mandatory prepayment requirement with respect to proceeds from asset sales and capital and debt financings; and eliminate the annual capital expenditure covenant.

The Company was in compliance with all applicable covenants under the credit facility as of March 31, 2019.

Foreign Credit Facility

In addition to its domestic credit facilities, the Company's wholly-owned subsidiary, IntriCon, PTE LTD., has an international senior secured credit agreement with Oversea-Chinese Banking Corporation Ltd. that provides for an asset-based line of credit. Borrowings bear interest at a rate of .75% to 2.5% over the lender's prevailing prime lending rate.

Capital Adequacy

We believe that funds raised from our August 2018 public offering, funds expected to be generated from operations and funds available under our revolving credit loan facility will be sufficient to meet our anticipated cash requirements for operating needs for at least the next 12 months. 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.

As of March 31, 2019 and December 31, 2018, the Company had a total borrowing capacity of \$14,309 and \$13,884, respectively, with no borrowings outstanding at each reporting period.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

ITEM 4. Controls and Procedures

The Company's management, with the participation of its chief executive officer and chief financial officer, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of March 31, 2019 (the "Disclosure Controls Evaluation"). Based on the Disclosure Controls Evaluation, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective to provide a reasonable level of assurance that: (i) information required to be disclosed by the Company in the reports the Company files or submits under the Securities Exchange Act of 1934, as amended ("Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) information required to be disclosed in the reports the Company files or submits under Exchange Act is accumulated and communicated to management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure, all in accordance with Exchange Act Rule 13a-15(e).

Except for the implementation of certain internal controls related to the adoption of the new lease standard (Topic 842), there were no changes in our internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f), during the quarter ended March 31, 2019 that 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.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings

The information contained in Note 13 to the Consolidated Condensed Financial Statements in Part I of this quarterly report is incorporated by reference herein.

ITEM 1A. Risk Factors

In addition to the foregoing and the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018, which could materially affect the Company’s business, financial condition or future results. The risk factors in the Company’s Annual Report on Form 10-K have not materially changed. The risks described in our Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

ITEM 3. Defaults upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures.

Not applicable.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

(a) Exhibits

[10.1*](#) [Thirteenth Amendment to Loan and Security Agreement among the Company, IntriCon, Inc., Hearing Help Express, Inc. and CIBC Bank USA \(formerly known as The PrivateBank and Trust Company\), dated as of April 17, 2019.](#)

[10.2*](#) [Amended and Restated Revolving Note from the Company, IntriCon, Inc. and Hearing Help Express, Inc. to CIBC Bank USA \(formerly known as The PrivateBank and Trust Company\), dated April 17, 2019.](#)

[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 to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

101* The following materials from IntriCon Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Condensed Balance Sheets as of March 31, 2019, (Unaudited) and December 31, 2018; (ii) Consolidated Condensed Statements of Operations (Unaudited) for the Three Ended March 31, 2019, and 2018; (iii) Consolidated Condensed Statements of Comprehensive Income (Unaudited) for the Three Months Ended March 31, 2019, and 2018; (iv) Consolidated Condensed Statements of Equity (Unaudited) for the Three Months Ended March 31, 2019, and 2018; (v) Consolidated Condensed Statements of Cash Flows (Unaudited) for the Three Months Ended March 31, 2019, and 2018; and (vi) Notes to Consolidated Condensed Financial Statements (Unaudited)*

* Filed herewith.

SIGNATURES

Pursuant to the requirements 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)

Date: May 10, 2019

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

Date: May 10, 2019

By: /s/ Scott Longval
Scott Longval
Executive Vice President, Chief Operating Officer, Chief Financial Officer and
Secretary
(principal financial officer)

THIRTEENTH AMENDMENT TO LOAN AND SECURITY AGREEMENT

THIS THIRTEENTH AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "Amendment") is made and entered into as of April 17, 2019, by and among INTRICON CORPORATION, a Pennsylvania corporation ("IntriCon"), INTRICON, INC., a Minnesota corporation ("Inc."), HEARING HELP EXPRESS, INC., an Illinois corporation ("HHE"), and, together with Inc., and IntriCon, the "Borrowers", and, each, individually, a "Borrower", and CIBC BANK USA (formerly known as The PrivateBank and Trust Company), an Illinois banking corporation (the "Bank").

RECITALS:

A. The Borrowers and the Bank are parties to a certain Loan and Security Agreement dated as of August 13, 2009, as amended by a First Amendment dated as of March 12, 2010, as further amended by a Second Amendment dated as of August 12, 2011, as further amended by a Third Amendment dated as of March 1, 2012, as further amended by a Fourth Amendment dated as of August 6, 2012, as further amended by a Fifth Amendment dated December 21, 2012, as further amended by a Sixth Amendment dated February 14, 2014, as further amended by a Seventh Amendment dated March 31, 2015, as further amended by a Eighth Amendment dated April 15, 2016, as further amended by a Ninth Amendment dated August 15, 2016, as further amended by a Tenth Amendment dated March 9, 2017, as further amended by a Eleventh Amendment dated December 15, 2017, and as further amended by a Twelfth Amendment dated July 23, 2018 (as so amended, the "Loan Agreement"). All capitalized terms not otherwise defined herein shall have the meanings given to them in the Loan Agreement.

B. The Borrowers have requested that the Bank amend certain provisions of the Loan Agreement, and the Bank has agreed to so amend the Loan Agreement upon the terms and subject to the conditions set forth in this Amendment.

AGREEMENTS:

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the nature, receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. Amendments. Upon satisfaction of the conditions set forth in Section 2 hereof, the Loan Agreement is hereby amended as follows:

- (a) The defined term "Mandatory Prepayment" is hereby deleted in its entirety.
-

(b) The defined term “Applicable Base Rate Margin,” “Applicable LIBOR Rate Margin,” “Applicable LOC Fee” and “Applicable Non-Use Fee” appearing in Section 1.1 of the Loan Agreement is hereby amended to replace the table appearing therein in its entirety with the table below:

Tier	Leverage Ratio	Revolving Loans		Term Loan		CapEx Loan		Applicable LOC Fee	Applicable Non-Use Fee
		Applicable LIBOR Rate Margin	Applicable Base Rate Margin	Applicable LIBOR Rate Margin	Applicable Base Rate Margin	Applicable LIBOR Rate Margin	Applicable Base Rate Margin		
I	≥ 3.00 to 1.00	3.00%	0.25%	3.50%	0.75%	3.50%	0.75%	3.00%	0.25%
II	≥ 2.00 to 1.00 and < 3.00 to 1.00	2.50%	(0.25%)	3.00%	0.25%	3.00%	0.25%	2.50%	0.25%
III	< 2.00 to 1.00	2.25%	(0.50%)	2.50%	(0.25%)	2.50%	(0.25%)	2.25%	0.25%

(c) The following defined terms appearing in Section 1.1 of the Loan Agreement are hereby amended and restated in their entirety to read as follows:

“CapEx Loan Availability Period” means the period from and including the date of the Eleventh Amendment to but excluding August 14, 2018.

“Citi Transaction” the transactions contemplated by that certain Supplier Agreement dated on or about January 14, 2019 by and among the Borrowers and Citibank, N.A., including the sale of Accounts owing by Medtronic Inc. and/or its various subsidiaries and affiliates to Citibank, N.A. and the grant of a precautionary security interest in such Accounts in favor of Citibank, N.A.

“Permitted Acquisition” means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any business or division of a Person, (b) the acquisition of in excess of 50% of the equity interests of any Person (other than a Subsidiary), or otherwise causing any Person to become a Subsidiary, or (c) a merger or consolidation or any other combination with another Person (other than a Person that is a Subsidiary) provided that a Borrower or the Subsidiary is the surviving entity, and that occurs when the following conditions have been satisfied:

(i) the Person or assets being acquired is in a substantially similar line of business conducted by the Borrowers on the date hereof or a line of business reasonably related thereto;

(ii) such transaction is consummated in compliance with all requirements of applicable law, and all consents and approvals from any governmental authority or other Person required in connection with such transaction have been obtained;

(iii) if the transaction is structured as a merger, a Borrower is the surviving entity; and

(iv) the Borrowing Agent has delivered to the Bank a certificate certifying that each of the conditions set forth above has been satisfied, and in addition, a certification satisfactory to the Bank signed by an officer of the Borrowing Agent in form and substance (accompanied by such supporting documents as the Bank reasonably may request) to the effect that (and such certifications shall be true and correct on the date of such transaction): (i) no Unmatured Event of Default or Event of Default exists at the time such transaction is consummated (including cash, equity and Indebtedness or liabilities incurred or assumed, collectively, the "aggregate consideration") or would be caused by such transaction and payment of the aggregate consideration at such time; and (ii) either (x) immediately after giving effect to the payment of such aggregate consideration, on a pro forma basis, the Borrowers will have a total amount of Cash Equivalent Investments or cash on hand plus Revolving Loan Availability equal to at least \$25,000,000, or (y) the aggregate consideration for any single transaction does not exceed \$5,000,000 and, immediately after giving effect to the payment of such aggregate consideration, the combined aggregate consideration for all such acquisition transactions would not exceed \$10,000,000.

"Permitted Liens" shall mean (a) Liens for Taxes, assessments or other governmental charges not at the time delinquent or thereafter payable without penalty or being contested in good faith by appropriate proceedings so long as the applicable Borrower(s) shall set aside on its books adequate reserves with respect thereto in accordance with GAAP and, such contest proceedings stay the foreclosure of such Lien or the sale of any portion of the Collateral to satisfy such claim; (b) Liens arising in the ordinary course of business (such as (i) Liens of carriers, warehousemen, mechanics and materialmen and other similar Liens imposed by law, and (ii) Liens in the form of deposits or pledges incurred in connection with worker's compensation, unemployment compensation and other types of social security (excluding Liens arising under ERISA) or in connection with surety bonds, bids, performance bonds and similar obligations) for sums not overdue or being contested in good faith by appropriate proceedings and not involving any advances or borrowed money or the deferred purchase price of property or services, which do not in the aggregate materially detract from the value of the property or assets of the Borrowers (or any of them) or materially impair the use thereof in the operation of such Borrower's business and, in each case, so long as the applicable Borrower(s) shall set aside on its books adequate reserves with respect thereto in accordance with GAAP and, such contest proceedings stay the foreclosure of such Lien or the sale of any portion of the Collateral to satisfy such claim; (c) Liens described on Schedule 9.2 as of the date of the Eleventh Amendment to this Agreement; (d) attachments, appeal bonds, judgments and other similar Liens, for sums not exceeding Fifty Thousand and 00/100 Dollars (\$50,000.00) in the aggregate arising in connection with court proceedings, provided the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings and to the extent such judgments or awards do not constitute an Event of Default under Section 11.8 hereof; (e) easements, rights of way, restrictions, minor defects or irregularities in title and other similar Liens not interfering in any material respect with the ordinary conduct of the business of the Borrowers (or any of them); (f) subject to the limitation set forth in Section 9.1(e), Liens arising in connection with purchase money Debt and Capitalized Lease Obligations (and attaching only to the property being purchased or leased); (g) subject to the limitation set forth in Section 9.1(e), Liens that constitute purchase money security interests on any property securing Debt incurred for the purpose of financing all or any part of the cost of acquiring such property, provided that any such Lien attaches to such property within twenty (20) days of the acquisition thereof and attaches solely to the property so acquired; (h) Liens in favor of Citibank, N.A. relating to the grant of precautionary security interest in Accounts purchased pursuant to the Citi Transaction, (i) Liens representing a 50% undivided ownership interest in two (2) needle automation assembly equipment systems in favor of a third party disclosed in writing to the Bank, and (j) Liens granted to the Bank hereunder and under the Loan Documents.

"Revolving Loan Commitment" shall mean Seven Million and 00/100 Dollars (\$7,000,000.00).

- (d) Section 2.14(c) of the Loan Agreement is amended to delete clause (iii) therein in its entirety.
- (e) Section 2.15 of the Loan Agreement is deleted in its entirety.
- (f) Section 6.2 of the Loan Agreement is amended to delete clause (x) therein in its entirety and replace the same with the following: "(x) enter into the transaction described in clause (i) of the definition of 'Permitted Liens'."
- (g) Section 6.8 of the Loan Agreement is amended and restated in its entirety to read as follows:

"6.8 Lockbox Arrangement.

- (a) Pursuant to the Lockbox Agreement, the Borrowing Agent shall establish a post office box (the "Lockbox") designated by, and under the exclusive control of, the Bank and an account (the "Lockbox Account") in the Borrowing Agent's name with the Bank into which all payments received in the Lockbox shall be deposited.

(b) Following receipt of notice from the Bank during the continuance of an Event of Default (a “Cash Dominion Notice”), each Borrower shall (i) direct all of its Account Debtors to make all payments on the Accounts directly to the Lockbox, and (ii) immediately deposit into the Lockbox all payments made for Inventory sold by such Borrower or the performance of services by such Borrower, and received by such Borrower in the identical form in which such payments were made, whether by cash or check. At all times following receipt of a Cash Dominion Notice (unless rescinded in writing by the Bank), if any Borrower, any of its Subsidiaries or any director, officer, employee, or agent of any such Borrower or any such Subsidiary, or any other Person acting for or in concert with such Borrower shall receive any monies, checks, notes, drafts or other payments relating to or as proceeds of Accounts or other Collateral, such Borrower, such Subsidiary and each such Person shall receive all such items in trust for, and as the sole and exclusive property of, the Bank and, immediately upon receipt thereof, shall remit the same (or cause the same to be remitted) in kind to the Lockbox Account.

(c) The parties agree that all payments made to such Lockbox and Lockbox Account or otherwise received by the Bank, whether in respect of the Accounts or as proceeds of other Collateral or otherwise, at all times following the occurrence and during the continuance of an Event of Default, will be applied on account of the Revolving Loans in accordance with Section 12.8 of this Agreement.

(d) Each Borrower agrees it shall be jointly and severally liable for all fees, costs and expenses which the Bank incurs in connection with opening and maintaining the Lockbox and the Lockbox Account and depositing for collection by the Bank any check or other item of payment received by the Bank on account of the Obligations. All of such fees, costs and expenses shall constitute Obligations hereunder, shall be payable to the Bank by the Borrowers upon demand, and, until paid, shall bear interest at the Default Rate.

(e) At all times following receipt of a Cash Dominion Notice (unless rescinded in writing by the Bank), all checks, drafts, instruments and other items of payment or proceeds of Collateral shall be endorsed by the applicable Borrower or Borrowing Agent to the Bank, and, if that endorsement of any such item shall not be made for any reason, the Bank is hereby irrevocably authorized to endorse the same on such Borrower’s behalf.

(f) For the purpose of this Section, each Borrower irrevocably hereby makes, constitutes and appoints the Bank (and all Persons designated by the Bank for that purpose) as such Borrower’s true and lawful attorney and agent-in-fact to take the following actions after the occurrence and during the continuance of an Event of Default and following receipt of a Cash Dominion Notice (unless rescinded in writing by the Bank): (i) endorse such Borrower’s name upon such items of payment and/or proceeds of Collateral and upon any Chattel Paper, document, instrument, invoice or similar document or agreement relating to any Account of such Borrower or goods pertaining thereto; (ii) take control in any manner of any item of payment or proceeds thereof; and (iii) have access to the Lockbox, and also, after the occurrence and during the continuance of an Event of Default any other lockbox or postal box into which any of such Borrower’s mail is deposited, and open and process all mail addressed to such Borrower and deposited therein.”

(h) Section 8.2 of the Loan Agreement is amended and restated in its entirety to read as follows:

"8.2 Borrowers' Existence. Each Borrower shall at all times (a) preserve and maintain its existence and good standing in the jurisdiction of its organization, (b) preserve and maintain its qualification to do business and good standing in each jurisdiction where the nature of its business makes such qualification necessary (other than such jurisdictions in which the failure to be qualified or in good standing could not reasonably be expected to have a Material Adverse Effect), and (c) continue as a going concern in the business which such Borrower is presently conducting. If any Borrower does not have an Organizational Identification Number and later obtains one, such Borrower shall promptly notify the Bank of such Organizational Identification Number. Except for in the case of a Permitted Acquisition or in connection with the reasonable business requirements of Borrowers, no Borrower shall form or otherwise acquire a new Subsidiary without the prior written consent of the Bank. Notwithstanding anything to the contrary in this Section 8.2, any immaterial Subsidiary of a Borrower may be dissolved or merged with and into a Borrower or another Subsidiary of a Borrower, provided that if such merger involves a Borrower, the surviving entity is a Borrower, upon reasonable prior written notice to the Bank, provided that, (i) at the time thereof and immediately after giving effect thereto, no Unmatured Event of Default or Event of Default shall have occurred and be continuing and (ii) the Borrowers shall provide evidence to the Bank of such dissolution or merger, as applicable, promptly after effectiveness thereof."

(i) Section 8.8(b) of the Loan Agreement is amended and restated in its entirety to read as follows:

"(b) promptly when available, and in any event, within forty-five (45) days following the end of each fiscal quarter, other than the last fiscal quarter in any fiscal year, a copy of the consolidated and consolidating balance sheets, income statement and cash flow statement of the Borrowers and their respective Subsidiaries for the fiscal quarter then ended and such other information (including nonfinancial information) as the Bank may reasonably request, in reasonable detail, prepared and certified by each Borrower's treasurer or chief financial officer on behalf of such Borrower as fairly presenting in all material respects the financial condition and results of operation of the Borrowers and their consolidated Subsidiaries for the period covered thereby; provided that, if the outstanding principal balance of Revolving Loans as at the last Business Day of any calendar month is greater than zero, the deliverables described in this clause (b) that would otherwise be delivered quarterly must instead be delivered to the Bank for such calendar month then ended within thirty (30) days following the end of such calendar month (or in the case of any such calendar month that is the last month of a fiscal quarter, forty-five (45) days);"

(j) Section 8.10 of the Loan Agreement is amended and restated in its entirety to read as follows:

"8.10 Borrowing Base Certificate.

(a) If the outstanding principal balance of Revolving Loans as of the last Business Day any calendar month is greater than zero, the Borrowing Agent shall, within thirty (30) days after the end of such month, deliver to the Bank a Borrowing Base Certificate dated as of the last Business Day of such month, certified as true and correct by an authorized representative of the Borrowing Agent and acceptable to the Bank in its sole and absolute discretion; provided, however, the Bank may require the Borrowing Agent to deliver Borrowing Base Certificates more frequently or on a monthly or weekly schedule. The Borrowing Agent will not be required to deliver a Borrowing Base Certificate if the outstanding principal balance of Revolving Loans as of the last Business Day of any calendar month is equal to zero.

(b) Notwithstanding anything to the contrary in the foregoing clause (a), on any day the Borrowing Agent requests a Revolving Loan, the Borrowing Agent shall deliver to the Bank a Borrowing Base Certificate calculated as of a date that is no more than sixty (60) days prior to such borrowing date, as applicable.

(k) Section 8.11 of the Loan Agreement is amended and restated in its entirety to read as follows:

"8.11 Aged Accounts Schedule. If the outstanding principal balance of Revolving Loans as of the last Business Day any calendar month is greater than zero, the Borrowing Agent shall, within thirty (30) days after the end of such month, deliver to the Bank, a consolidated aged schedule of the Accounts of each Borrower, listing the name and amount due from each Account Debtor and showing the aggregate amounts due from (a) 0-30 days, (b) 31-60 days, (c) 61-90 days and (d) more than 90 days, and certified as accurate by such Borrower's treasurer or chief financial officer."

(l) Section 8.12 of the Loan Agreement is amended and restated in its entirety to read as follows:

"8.12 Inventory Reports. If the outstanding principal balance of Revolving Loans as of the last Business Day any calendar month is greater than zero, the Borrowing Agent shall, within thirty (30) days after the end of such month, deliver to the Bank, a consolidated inventory report, certified as accurate by each Borrower's treasurer or chief financial officer, and within each such time as the Bank may reasonably specify, such other schedules and reports as the Bank may require."

(m) Section 9.3 of the Loan Agreement is amended to restate clause (g) and insert new clause (h) as follows:

"(g) other Investments in businesses related to the core business activities of the Borrowers (including Investments in the Foreign Subsidiaries of Borrowers) made on or after the date of the Eleventh Amendment to this Agreement, provided that (i) immediately before and immediately after giving effect to any such Investment, no Unmatured Event of Default or Event of Default shall have occurred and be continuing and (ii) subject to the proviso set forth below, the aggregate amount of such Investments (net of all repayments, returns of capital, interest payments, dividends and distributions received after the date of the Eleventh Amendment to this Agreement) permitted pursuant to this clause (g) shall not exceed \$4,000,000 at any time, provided further that if the outstanding principal balance of Revolving Loans is equal to zero both immediately before and immediately after giving effect to any such Investment, then the amount of such Investment shall neither be subject to nor count against the \$4,000,000 limit; and

(h) Permitted Acquisitions;"

(n) Section 9.4 of the Loan Agreement is amended and restated in its entirety to read as follows:

"9.4 Transfer; Merger; Sales. No Borrower shall, nor permit any Subsidiary to, whether in one transaction or a series of related transactions, (a) be a party to any merger or consolidation, or purchase or otherwise acquire all or substantially all of the assets or any Capital Securities of any class of, or any partnership or joint venture interest in, any other Person, except for (i) any such merger, consolidation, sale, transfer, conveyance, lease or assignment of or by any Borrower into any other Borrower; (ii) any such purchase or other acquisition by any Borrower of the assets or equity interests of any other Borrower and (iii) Permitted Acquisitions, (b) sell, transfer, convey or lease all or any substantial part of its assets or Capital Securities (including the sale of Capital Securities of any Subsidiary), except for (i) asset dispositions permitted pursuant to Section 6.2, and (ii) sales, transfers, conveyances or leases of assets for at least fair market value (as determined in good faith by the applicable Borrower) so long as the value of all assets sold or otherwise disposed of in any fiscal year under this clause (b)(ii) does not exceed \$1,000,000, or (c) sell or assign, with or without recourse, any receivables, except for the Citi Transaction."

(o) Section 9.6 of the Loan Agreement is amended and restated in its entirety to read as follows:

"9.6 Distributions. No Borrower shall and shall not permit any Subsidiary to, (a) make any distribution or dividend (other than stock dividends), whether in cash or otherwise, to any of its equityholders, (b) purchase or redeem any of its equity interests or any warrants, options or other rights in respect thereof, (c) pay any management fees or similar fees to any of its equityholders or any Affiliate thereof, (d) pay or prepay interest on, principal of, premium, if any, redemption, conversion, exchange, purchase, retirement, defeasance, sinking fund or any other payment in respect of any Subordinated Debt except if, as and to the extent permitted by the applicable subordination agreement or subordination provisions governing the subordination of such Subordinated Debt in favor of the Obligations, or (e) set aside funds for any of the foregoing. Notwithstanding the foregoing, (i) any Borrower may pay dividends or make other distributions to its equityholders so long as, (A) no Unmatured Event of Default or Event of Default shall have occurred and be continuing or would result from the making of such distribution or dividend payment and (B) immediately after giving effect to such payment, on a pro forma basis, the Borrowers will have at least \$10,000,000 of Cash Equivalent Investments or cash on hand, and (ii) any Subsidiary may pay dividends or make other distributions to the applicable Borrower."

(p) Section 9.13 of the Loan Agreement is amended by deleting the last sentence thereof in its entirety and replacing it with the following:

"Notwithstanding anything to the contrary in this Section 9.13, any immaterial Subsidiary may be dissolved or merged, in either case, in accordance with Section 8.2 of this Agreement."

(q) Section 10.4 of the Loan Agreement is deleted in its entirety.

(r) Section 11 of the Loan Agreement is amended by deleting the references to "\$50,000" in Sections 11.5 and 11.8 thereof and replacing them with references to "\$250,000".

(s) Section 12.6 of the Loan Agreement is amended and restated in its entirety to read as follows:

"12.6 Attorney-in-Fact. Each Borrower hereby irrevocably makes, constitutes and appoints the Bank (and any officer of the Bank or any Person designated by the Bank for that purpose) as such Borrower's true and lawful proxy and attorney-in-fact (and agent-in-fact) in such Borrower's name, place and stead, with full power of substitution, to (i) take such actions as are permitted in this Agreement, (ii) execute such financing statements and other documents and to do such other acts as the Bank may require to perfect and preserve the Bank's security interest in, and to enforce such interests in the Collateral, and (iii) carry out any remedy provided for in this Agreement, including endorsing such Borrower's name to checks, drafts, instruments and other items of payment, and proceeds of the Collateral, executing change of address forms with the postmaster of the United States Post Office serving the address of such Borrower, changing the address of such Borrower to that of the Bank, opening all envelopes addressed to such Borrower and applying any payments contained therein to the Obligations; provided that all such powers (other than the powers to (1) endorse Borrowers' names to checks, drafts, instruments and other items of payment, and proceeds of the Collateral received by the Bank, (2) opening mail received into any lockbox established under Section 3.1 and (3) applying all proceeds of Collateral received by the Bank (including any such proceeds enclosed with the mail opened under the preceding clause (2)) to the Obligations, which powers the Bank may exercise at any time) shall be exercisable by the Bank only after either (x) a request for the applicable Borrower(s) to take such actions and the failure by Borrowers to take such actions within five (5) days of such request or (y) the occurrence and during the continuance of an Event of Default. Each Borrower hereby acknowledges that the constitution and appointment of such proxy and attorney-in-fact are coupled with an interest and are irrevocable. Each Borrower hereby ratifies and confirms all that such attorney-in-fact may do or cause to be done by virtue of any provision of this Agreement."

Section 2. Delivery of Documents. At or prior to the execution of this Amendment, and as a condition precedent to the effectiveness of this Amendment, the Borrowers shall have satisfied the following conditions and delivered or caused to be delivered to the Bank the following documents each dated such date and in form and substance satisfactory to the Bank and duly executed by all appropriate parties:

(a) This Amendment.

(b) Execution and delivery of a copy of the resolutions of the Board of Directors of each Borrower, duly adopted, which authorize the execution, delivery and performance by such Borrower of this Amendment and the other documents, instruments and agreements set forth in this Section 2 (collectively, the "Amendment Documents"), certified as true and accurate by the Secretary of each Borrower, along with a certification by such Secretary (i) certifying that there has been no amendment to the Articles of Incorporation or Bylaws of such Borrower since true and accurate copies of the same were last delivered and certified to Bank, and that said Articles of Incorporation and Bylaws remain in full force and effect as of the date of this Amendment; and (ii) identifying each officer of such Borrower authorized to execute this Amendment, the other Amendment Documents and any other instrument or agreement executed by such Borrower in connection with this Amendment, and certifying as to specimens of such officer's signature and such officer's incumbency in such offices as such officer holds.

(c) An amendment fee paid to the Bank in the amount of \$10,000, which fee shall be non-refundable when paid and wholly earned when received.

- (d) Such other documents or instruments as the Bank may reasonably require.

Section 3. CapEx Loan and Term Loan. The parties hereto acknowledge and agree that, as of the date hereof, (a) the Term Loan has been repaid in full, (b) the CapEx Loan Commitment has terminated, (c) any obligations of the Bank to make CapEx Loans under the Loan Agreement have terminated, and (d) the Lender has no further obligations to make any CapEx Loans after the date hereof.

Section 4. Representations; No Default. Each Borrower represents and warrants that: (a) the representation and warranties contained in Section 7 of the Loan Agreement are true and correct in all material respects, as though made on the date hereof, except to the extent such representation and warranty, by its express terms, relates solely to a prior date, and except that the representations and warranties contained in Section 7.26 of the Loan Agreement shall be true and correct in all material respects, as though made on the date of the financial statements most recently delivered to the Bank pursuant to Section 8.8(a) of the Loan Agreement; (b) such Borrower has the power and legal right and authority to enter into this Amendment and has duly authorized the execution and delivery of this Amendment and other agreements and documents executed and delivered by such Borrower in connection herewith; (c) neither this Amendment nor the agreements contained herein contravene or constitute an Unmatured Event of Default or Event of Default under the Loan Agreement or a default under any other agreement, instrument or indenture to which such Borrower is a party or a signatory, or any provision of such Borrower's Articles of Incorporation or Bylaws or, to the best of such Borrower's knowledge, any other agreement or requirement of law, or result in the imposition of any lien or other encumbrance on any of its property under any agreement binding on or applicable to such Borrower or any of its property except, if any, in favor of the Bank; (d) no consent, approval or authorization of or registration or declaration with any party, including but not limited to any governmental authority, is required in connection with the execution and delivery by the Borrower of this Amendment or other agreements and documents executed and delivered by such Borrower in connection herewith or the performance of obligations of such Borrower herein described, except for those which such Borrower has obtained or provided and as to which such Borrower has delivered certified copies of documents evidencing each such action to the Bank; (e) no events have taken place and no circumstances exist at the date hereof which would give such Borrower grounds to assert a defense, offset or counterclaim to the obligations of such Borrower under the Loan Agreement or any of the other Loan Documents; (f) there are no known claims, causes of action, suits, debts, liens, obligations, liabilities, demands, losses, costs and expenses (including attorneys' fees) of any kind, character or nature whatsoever, fixed or contingent, which such Borrower may have or claim to have against the Bank, which might arise out of or be connected with any act of commission or omission of the Bank existing or occurring on or prior to the date of this Amendment, including, without limitation, any claims, liabilities or obligations arising with respect to the indebtedness evidenced by the Notes (as defined in the Loan Agreement); and (g) except as otherwise expressly provided herein, no Unmatured Event of Default or Event of Default has occurred and is continuing under the Loan Agreement.

Section 5. Affirmation; Further References. The Bank and each Borrower acknowledge and affirm that the Loan Agreement, as hereby amended, is hereby ratified and confirmed in all respects and all terms, conditions and provisions of the Loan Agreement (except as amended by this Amendment) and of each of the other Loan Documents shall remain unmodified and in full force and effect. All references in any document or instrument to the Loan Agreement are hereby amended and shall refer to the Loan Agreement as amended by this Amendment.

Section 6. Severability. Whenever possible, each provision of this Amendment and any other statement, instrument or transaction contemplated hereby or thereby or relating hereto or thereto shall be interpreted in such manner as to be effective, valid and enforceable under the applicable law of any jurisdiction, but, if any provision of this Amendment or any other statement, instrument or transaction contemplated hereby or thereby or relating hereto or thereto shall be held to be prohibited, invalid or unenforceable under the applicable law, such provision shall be ineffective in such jurisdiction only to the extent of such prohibition, invalidity or unenforceability, without invalidating or rendering unenforceable the remainder of such provision or the remaining provisions of this Amendment or any other statement, instrument or transaction contemplated hereby or thereby or relating hereto or thereto in such jurisdiction, or affecting the effectiveness, validity or enforceability of such provision in any other jurisdiction.

Section 7. Successors. This Amendment shall be binding upon the Borrowers, the Bank and their respective successors and assigns, and shall inure to the benefit of the Borrowers, the Bank and to the respective successors and assigns of the Bank.

Section 8. Costs and Expenses. Each Borrower agrees to reimburse the Bank, upon execution of this Amendment, for all reasonable out-of-pocket expenses (including attorneys' fees and legal expenses of counsel for the Bank) incurred in connection with the Loan Agreement, including in connection with the negotiation, preparation and execution of this Amendment and all other documents negotiated, prepared and executed in connection with this Amendment, and in enforcing the obligations of the Borrowers under this Amendment, and to pay and save the Bank harmless from all liability for, any stamp or other taxes which may be payable with respect to the execution or delivery of this Amendment.

Section 9. Headings. The headings of various sections of this Amendment have been inserted for reference only and shall not be deemed to be a part of this Amendment.

Section 10. Counterparts; Digital Copies. This Amendment may be executed in several counterparts as deemed necessary or convenient, each of which, when so executed, shall be deemed an original, provided that all such counterparts shall be regarded as one and the same document, and any party to this Amendment may execute any such agreement by executing a counterpart of such agreement. A facsimile or digital copy (.pdf) of this signed Amendment shall be deemed to be an original thereof.

Section 11. Release of Rights and Claims. Each Borrower, for itself and its successors and assigns, hereby releases, acquits, and forever discharges Bank and its successors and assigns for any and all manner of actions, suits, claims, charges, judgments, levies and executions occurring or arising from the transactions entered into with Bank prior to entering into this Amendment whether known or unknown, liquidated or unliquidated, fixed or contingent, direct or indirect which such Borrower may have against Bank.

Section 12. Governing Law. This Amendment shall be governed by the internal laws of the State of Minnesota, without giving effect to conflict of law principles thereof.

Section 13. No Waiver. Nothing contained in this Amendment (or in any other agreement or understanding between the parties) shall constitute a waiver of, or shall otherwise diminish or impair, the Bank's rights or remedies under the Loan Agreement or any of the other Loan Documents, or under applicable law.

[Remainder of page intentionally blank; signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the day and year first above written.

BORROWERS:

INTRICON CORPORATION,
a Pennsylvania corporation

By: /s/ Scott Longval
Name: Scott Longval
Title: Chief Financial Officer

INTRICON, INC.,
a Minnesota corporation

By: /s/ Scott Longval
Name: Scott Longval
Title: Chief Financial Officer

HEARING HELP EXPRESS, INC.,
an Illinois corporation

By: /s/ Scott Longval
Name: Scott Longval
Title: CFO

[Signature page to Thirteenth Amendment to Loan and Security Agreement]

BANK:

CIBC BANK USA (formerly known as The
PrivateBank and Trust Company),
an Illinois banking corporation

By: /s/ Leanne Manning
Name: Leanne Manning
Title: Managing Director

[Signature page to Thirteenth Amendment to Loan and Security Agreement]

AMENDED AND RESTATED REVOLVING NOTE

\$7,000,000

Minneapolis, Minnesota
April 17, 2019

FOR VALUE RECEIVED, the undersigned, INTRICON CORPORATION, a Pennsylvania corporation, INTRICON, INC., a Minnesota corporation, and HEARING HELP EXPRESS, INC., an Illinois corporation (each, a "Borrower"; collectively, the "Borrowers"), hereby JOINTLY AND SEVERALLY promise to pay to the order of CIBC BANK USA (formerly known as The PrivateBank and Trust Company) (the "Bank"), the principal sum of SEVEN MILLION AND NO/100 DOLLARS (\$7,000,000), or if less, the then aggregate unpaid principal amount of the Revolving Loans as may be borrowed by the Borrowers (or any of them) under the Loan Agreement (as hereinafter defined). The actual amount due and owing from time to time hereunder shall be evidenced by Bank's records of receipts and disbursements with respect to the Revolving Loans, which shall, absent manifest error, be conclusive evidence of such amount.

Each Borrower further promises to pay interest on the aggregate unpaid principal amount hereof at the rates provided in the Loan Agreement from the date hereof until payment in full hereof. Accrued interest shall be payable on the dates specified in the Loan Agreement.

All payments of principal and interest under this Amended and Restated Revolving Note (the "Note") shall be made in lawful money of the United States of America in immediately available funds at the Bank's office at 50 South 6th Street, Suite 1415, Minneapolis, MN 55402, or at such other place as may be designated by the Bank to the Borrowers in writing.

This Note is the Revolving Note referred to in, and evidences indebtedness incurred under, a Loan and Security Agreement dated as of August 13, 2009 (as previously amended, as further amended on or about the date hereof and as the same may be hereafter further amended, modified or supplemented from time to time, the "Loan Agreement"), among the Borrowers and the Bank, to which Loan Agreement reference is made for a statement of the terms and provisions thereof, including those under which the Borrowers are permitted and required to make prepayments and repayments of principal of such indebtedness and under which such indebtedness may be declared to be immediately due and payable. Capitalized terms used here and not otherwise defined herein have the meanings ascribed to them in the Loan Agreement.

All parties hereto, whether as makers, endorsers or otherwise, severally waive presentment, demand, protest and notice of dishonor in connection with this Note.

This Note is made under and governed by the internal laws of the State of Minnesota.

This Note amends, restates and replaces, but does not evidence repayment of or constitute a novation with respect to, that certain Amended and Restated Revolving Note, dated July 23, 2018, made payable jointly and severally by the Borrowers to the order of the Bank in the original principal amount of \$11,000,000.00.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the undersigned have caused this Note to be executed as of the date first set forth above.

INTRICON CORPORATION,
a Pennsylvania corporation

By: /s/ Scott Longval
Name: Scott Longval
Title: Chief Financial Officer

INTRICON, INC.,
a Minnesota corporation

By: /s/ Scott Longval
Name: Scott Longval
Title: Chief Financial Officer

HEARING HELP EXPRESS, INC.,
an Illinois corporation

By: /s/ Scott Longval
Name: Scott Longval
Title: CFO

[Amended and Restated Revolving Note]

CERTIFICATION Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

I, Mark S. Gorder, certify that:

1. I have reviewed this quarterly report on Form 10-Q of IntriCon Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2019

/s/ Mark S. Gorder

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

CERTIFICATION Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

I, Scott Longval, certify that:

1. I have reviewed this quarterly report on Form 10-Q of IntriCon Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2019

/s/ Scott Longval
Scott Longval
Executive Vice President, Chief Operating Officer,
Chief Financial Officer and Secretary
(principal financial officer)

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

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

- 1) the quarterly report on Form 10-Q of the Company for the quarterly period ended March 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2019

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

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

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

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

- 1) the quarterly report on Form 10-Q of the Company for the quarterly period ended March 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2019

/s/ Scott Longval
Scott Longval
Executive Vice President, Chief Operating Officer,
Chief Financial Officer and Secretary
(principal financial officer)

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