INTRICON CORP
Form DEF 14A
March 24, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A INFORMATION

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

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

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

IntriCon Corporation

(Name of Registrant as Specified In Its Charter)

Not Applicable
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(a)

(b)

INTRICON CORPORATION

1260 Red Fox Road

Arden Hills, Minnesota 55112

March 24, 2008

Dear Shareholder:

It is my great pleasure to invite you to attend the 2008 Annual Meeting of Shareholders (the Annual Meeting). The Annual Meeting will be held on Wednesday, April 23, 2008 at 11:30 a.m., local time, at our offices located at 1260 Red Fox Road, Arden Hills, Minnesota 55112.

At this year s Annual Meeting our shareholders will vote on the election of one director to hold office for a term of three years and until his successor is duly elected and qualified, on the approval of an amendment to our Amended and Restated Articles of Incorporation, as amended, to increase the number of authorized shares of common stock from 10,000,000 shares to 20,000,000 shares and on the ratification of the appointment of Virchow, Krause & Company, LLP as IntriCon Corporation s independent auditor for fiscal year 2008. The official notice of the Annual Meeting, together with the proxy statement and proxy card, are enclosed.

The vote of every shareholder is important. Therefore, whether or not you expect to attend the meeting in person, I urge you to sign and date the enclosed proxy card and return it promptly in the envelope provided for that purpose. You also have the option of voting by telephone. If you choose to vote by telephone you may call toll-free in the U.S. or Canada, 1-866-626-4508 on a touch-tone telephone. You also have the option of voting over the Internet. To do so, log on to www.votestock.com and follow the web site instructions. Once you have cast your vote, be sure to click on Accept Vote. If you vote by telephone or electronically over the Internet, you do not need to return your proxy card.

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

Sincerely,

Mark S. Gorder

President and Chief Executive Officer

INTRICON CORPORATION

1260 Red Fox Road

Arden Hills, Minnesota 55112

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be held April 23, 2008

The 2008 Annual Meeting of Shareholders (the Annual Meeting) of IntriCon Corporation (the Corporation) will be held on Wednesday, April 23, 2008 at the Corporation s offices located at 1260 Red Fox Road, Arden Hills, Minnesota, 55112 at 11:30 a.m., local time, for the following purposes:

(1) to elect one director to hold office for a term of three years and until his successor is duly elected and qualified;

(2) to approve an amendment to the Corporation s Amended and Restated Articles of Incorporation, as amended, to increase the number of authorized shares of common stock from 10,000,000 to 20,000,000;

(3) to ratify the appointment of Virchow, Krause & Company, LLP as the Corporation s independent auditor for fiscal year 2008; and

(4) to transact such other business as may properly come before the Annual Meeting or any of its adjournments or postponements.

The Board of Directors has fixed the close of business on March 19, 2008 as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof. If the Annual Meeting is adjourned because of the absence of a quorum, those shareholders entitled to vote who attend the adjourned Annual Meeting, although constituting less than a quorum as provided herein, shall nevertheless constitute a quorum for the purpose of electing directors. If the Annual Meeting is adjourned for one or more periods aggregating at least 15 days because of the absence of a quorum, those shareholders entitled to vote who attend the reconvened Annual Meeting, if less than a quorum as determined under applicable law, shall nevertheless constitute a quorum for the purpose of acting upon any other matter set forth in this Notice of Annual Meeting.

All shareholders are cordially invited to attend the meeting, but whether or not you expect to attend the meeting in person, please mark, sign and date the enclosed proxy card and return it promptly in the envelope provided in order that your shares may be voted.

You also have the option of voting by telephone. If you choose to vote by telephone you may call toll-free in the U.S. or Canada, 1-866-626-4508 on a touch-tone telephone. You also have the option of voting over the Internet. To do so, log on to www.votestock.com and follow the web site instructions. Once you have cast your vote, be sure to click on Accept Vote. If you attend the meeting, you may revoke your proxy and vote in person. The deadline to vote telephonically or over the Internet is Tuesday, April 22, 2008, 11:59 p.m., eastern daylight time. If you vote by telephone or electronically over the Internet, you do not need to return your proxy card.

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

By Order of the Board of Directors

Michael J. McKenna

Chairman of the Board

March 24, 2008

Arden Hills, Minnesota

INTRICON CORPORATION

1260 Red Fox Road

Arden Hills, Minnesota 55112

PROXY STATEMENT

This proxy statement and the enclosed proxy are being furnished to shareholders of IntriCon Corporation (the Corporation) in conjunction with the solicitation of proxies by the Board of Directors of the Corporation for use at the 2008 Annual Meeting of Shareholders (the Annual Meeting) to be held on Wednesday, April 23, 2008 at the Corporation s offices located at 1260 Red Fox Road, Arden Hills, Minnesota 55112, at 11:30 a.m., local time, and any adjournment or postponement of the Annual Meeting. This Proxy Statement and accompanying form of proxy are first being sent or given to shareholders on or about March 24, 2008.

The Board of Directors has fixed the close of business on March 19, 2008 as the record date for determination of the shareholders entitled to notice of and to vote at the Annual Meeting. As of March 19, 2008, there were 5,303,406 shares of common stock, par value $1.00 per share (the Common Shares) of the Corporation outstanding, each of which is entitled to one vote on all matters to be presented at the Annual Meeting.

Proxies in the form enclosed, if properly executed and received in time for voting, and not revoked, will be voted as directed on the proxies. If no directions to the contrary are indicated, the persons named in the proxy will vote all of your Common Shares for the election of the nominee for director, for the approval of the amendment to the Amended and Restated Articles of Incorporation, as amended, to increase the number of authorized Common Shares from 10,000,000 to 20,000,000 and for the ratification of the appointment of Virchow, Krause & Company, LLP as the Corporation s independent auditor for fiscal year 2008. With respect to any other matter that properly comes before the meeting, the proxy holders will vote the proxies in their discretion in accordance with their best judgment. Because the proxy is revocable, sending in a signed proxy will not affect a shareholder s right to attend the Annual Meeting and vote in person. You also have the option of voting by telephone. If you choose to vote by telephone you may call toll-free in the U.S. or Canada, 1-866-626-4508 on a touch-tone telephone. You also have the option of voting over the Internet. To do so, log on to www.votestock.com and follow the web site instructions. Once you have cast your vote, be sure to click on Accept Vote. The deadline to vote telephonically or over the Internet is Tuesday, April 22, 2008, 11:59 p.m., eastern daylight time.

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

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

Each Common Share is entitled to one vote on each matter that may be brought before the Annual Meeting. The election of the director will be determined by a plurality vote and the nominee receiving the highest number of for votes will be elected. Approval of the proposal to amend the Amended and Restated Articles of Incorporation, as amended, to increase the number of authorized Common Shares will require the affirmative vote of a majority of the outstanding Common Shares. Under our Amended and Restated Articles of Incorporation, as amended, and the Pennsylvania Business Corporation Law, an abstention, withholding of authority to vote or broker non-vote will have the same legal effect as an against vote on this proposal. Approval of any other proposal, including ratification of the appointment of Virchow, Krause & Company, LLP as the Corporation s independent auditor for fiscal year 2008, will require the affirmative vote of a majority of the shares entitled to vote and present in person or represented by proxy at the Annual Meeting. Under our Bylaws and the Pennsylvania Business Corporation Law, an abstention or withholding of authority to vote will have the same legal effect as an against vote and will be counted in determining whether the proposal has received the required shareholder vote; however, a broker non-vote will have no effect on whether the proposal has received the required shareholder vote.

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

PROPOSAL 1

ELECTION OF DIRECTORS

The Board of Directors currently consists of five members divided into three classes.

The Board of Directors, based upon the recommendation of the Nominating and Corporate Governance Committee, has nominated Robert N. Masucci for election as a director at the Annual Meeting to serve until the 2011 annual meeting of shareholders and until his successor has been duly elected and qualified. Mr. Masucci is a current director of the Corporation and previously has been elected as a director by the Corporation s shareholders. Mr. Masucci has indicated his willingness to continue serving as a director. The Board of Directors knows of no reason why Mr. Masucci would be unable to serve as a director. If Mr. Masucci is for any reason be unable to serve, then the proxies will be voted for the election of such substitute nominee as the Board of Directors may designate, unless the Board of Directors reduces the number of directors on the board.

Assuming a quorum is present, the nominee receiving the highest number of for votes will be elected. For such purposes, an abstention, the withholding of authority to vote or broker non-vote will not be counted in determining whether the nominee has received the required shareholder vote. The Board of Directors recommends that the shareholders vote for the election of Mr. Masucci as a director for the ensuing term.

The following table sets forth certain information concerning the nominees and the persons whose terms as directors will continue after the Annual Meeting, including their ages and principal occupations during the past five years:

Name, Age and Occupation	**Director Since**	**Term Expires**
<u>Nominee for Election</u>		
Robert N. Masucci (70) became a director in February 2002. Mr. Masucci has served as the Chairman of the Board of Montgomery Capital Advisors, Inc., a consulting company, since 1990 and, Chairman of the Board of Barclay Brand Ferdon, Inc., a distribution company, since 1996. Prior to 1990, Mr. Masucci was President and Chief Executive Officer of Drexel Industries, Inc., a forklift manufacturer.	2002	2008
<u>Continuing Directors</u>		
Nicholas A. Giordano (65) became a director in December 2000. Mr. Giordano has been a business consultant and investor since 1997. Mr. Giordano was Interim President of LaSalle University from July 1998 to June 1999. From 1981 to 1997, Mr. Giordano was President and Chief Executive Officer of the Philadelphia Stock Exchange. Mr. Giordano serves as a trustee of W.T. Trust and Kalmar Pooled Investment Trust, mutual funds, and as a director of Independence Blue Cross of Philadelphia, a health insurance company, The RBB Fund, Inc., a mutual funds company and Commerce Bancorp, Inc., a national bank holding company.	2000	2009

Name, Age and Occupation	**Director Since**	**Term Expires**
Mark S. Gorder (61) became a director in January 1996. Mr. Gorder has served as the President and Chief Executive Officer of the Corporation since April 2001; President and Chief Operating Officer of the Corporation from December 2000 to April 2001; and Vice President of the Corporation from 1996 to December 2000. Mr. Gorder has been President and Chief Executive Officer of Resistance Technology, Inc., a subsidiary of the Corporation, since 1983.	1996	2010
Michael J. McKenna (73) became a director in June 1998 and has served as Chairman of the Board of Directors of the Corporation since April 2001. In March 2001, Mr. McKenna retired as the Vice Chairman and a Director of Crown Cork & Seal Company, Inc., a manufacturing company. From 1995 to 1998, Mr. McKenna was the President and Chief Operating Officer and, prior to 1995, was the Executive Vice President and President of the North American Division of Crown Cork & Seal Company, Inc.	1998	2010
Philip N. Seamon (60) became a director in September 2006. Currently, Mr. Seamon is President of Philip N. Seamon, Inc., a consulting firm specializing in operational and financial business restructuring services.	2006	2009

Until his retirement in August 2006, Mr. Seamon was a senior managing director in the corporate finance practice of FTI Consulting, Inc., a provider of a wide range of business and financial advisory and consulting services. Previously, Mr. Seamon was a partner and the service line leader of PricewaterhouseCoopers Business Recovery Services practice in their Philadelphia office. FTI Consulting acquired this practice in September 2002. Prior to joining PricewaterhouseCoopers, Mr. Seamon held management and partnership positions in both commercial and investment banking organizations.

Messrs. Giordano and Masucci are first cousins.

Independence of the Board of Directors

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

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

In evaluating the independence of Mr. Seamon, the Board considered that Mr. Seamon was a senior managing director in the corporate finance practice of FTI Consulting, Inc., which provided consulting services to the Corporation in 2005, but did not provide any services in 2006 and 2007. The Board determined that Mr. Seamon was independent under the objective Nasdaq standards because: (i) no payments were made to Mr. Seamon directly in exchange for the services provided to the Corporation by FTI Consulting, Inc. and (ii) the amounts paid to FTI Consulting, Inc. did not exceed the thresholds contained in the Nasdaq standards. The Board also determined that Mr. Seamon was independent under the subjective Nasdaq standard for the reasons discussed above and because: (i) the last payment made by the Corporation to FTI Consulting, Inc. was in 2005 and the Corporation did not use FTI Consulting in 2006 and 2007, and (ii) Mr. Seamon was no longer an employee of FTI Consulting.

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

Communication with the Board

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

Meetings of the Board and Committees

The Corporation s Board of Directors held eleven meetings in 2007. During 2007, all directors of the Corporation attended at least 75% of the total number of meetings of the Board of Directors of the Corporation and all committees of which they were members.

Attendance at Annual Meeting of Shareholders

The Board of Directors has adopted a policy that all of the directors should attend the annual meeting of shareholders, absent exceptional cause. All of the directors attended the 2007 annual meeting of shareholders.

Code of Ethics

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

Director Compensation for 2007

The following table sets forth information concerning the compensation earned during the year ended December 31, 2007 by each of our directors that was not also an employee.

Name	Fees Earned orPaid in Cash ($)	Stock Awards (1) ($)	Option Awards (2) ($)	All Other Compensation ($)	Total ($)
Nicholas A. Giordano	47,500		20,591		68,091
Robert N. Masucci	39,500		20,591		60,091
Michael J. McKenna	61,500(3)		20,591		82,091
Philip N. Seamon	34,000		10,470		44,470

(1) We have not granted any stock awards to our directors.

(2) The amounts included in the Option Awards column represent the compensation cost we recognized in 2007 related to option awards granted in 2007 and prior years, in accordance with Statement of Financial Accounting Standards No. 123(R). For a discussion of valuation assumptions, see Note 12 to our consolidated financial statements included in our annual report on Form 10-K for the fiscal year ended December 31, 2007. However, as required by SEC regulations, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. The grant date fair value of each stock option award made in 2007 to each of Messrs. Giordano, Masucci, McKenna and Seamon was $15,228. As of December 31, 2007, the number of stock option awards held by our non-employee directors was: Mr. Giordano 65,000; Mr. Masucci 65,000; Mr. McKenna 72,500; and Mr. Seamon 15,000.

(3) Pursuant to the Non-Employee Directors Stock Fee Election Program, Mr. McKenna elected to have a total of $6,120 of his director fees paid in Common Shares and received 754 Common Shares. See Non-Employee Directors Stock Fee Election Program.

For 2007, the Chairman of the Board received an annual retainer of $49,000. The Chairman of the Audit Committee received an annual retainer of $34,000. Each non-employee member of the Board, other than the Chairman of the Board and the Chairman of the Audit Committee, received an annual retainer of $24,000. Each of the annual retainers was paid on a quarterly basis. In addition, each non-employee member of the Board received $1,000 for each Board meeting attended in person and $500 for each telephonic meeting of the Board attended, and $1,000 for each committee meeting attended in person and $500 for each telephonic meeting of the committee attended of which such non-employee member of the Board is a member; however, no fee was payable for telephonic board and committee meetings that last less than 30 minutes.

6

Directors are eligible to receive awards under the 2006 Equity Incentive Plan, referred to as the Plan. Following the approval of the Plan by our shareholders at our annual meeting in April 2006, the Compensation Committee approved the automatic grant of options to purchase 5,000 Common Shares under the Plan at the fair market value of the Common Shares on the date of the grant to each person who was re-elected or continued as a non-employee director at the annual meeting and each subsequent annual meeting of shareholders thereafter. Accordingly, following the 2007 annual meeting, each of Messrs. Giordano, Masucci, McKenna and Seamon was granted an option to purchase 5,000 Common Shares at an exercise price of $6.59 per share, the fair market value on the date of the grant. Effective for the 2008 Annual Meeting, assuming that they are re-elected or continue as a director, as the case may be, Mr. McKenna, in his capacity as chairman of the board, will receive an option to purchase 12,000 Common Shares, and each of the other non-employee directors will receive an option to purchase 10,000 Common Shares, in each case at an exercise price equal to the fair market value of the Common Shares on the date of the 2008 Annual Meeting. All director options vest in three equal, annual installments beginning one year after the date of grant, except that the options will become immediately exercisable upon a change in control as defined in the Plan or the death or disability of the recipient, and expire ten years after the date of grant, unless terminated earlier by the terms of the option.

Non-Employee Directors Stock Fee Election Program

In December 2006, the Board of Directors approved the Non-Employee Directors Stock Fee Election Program, referred to as the Program, as an award under the 2006 Equity Incentive Plan. The Program gives each non-employee director the right under the 2006 Equity Incentive Plan to elect to have some or all of his quarterly director fees paid in Common Shares rather than cash. The minimum amount that can be the subject of such election by a director is 25% of his quarterly director fees. The shares to be issued will be valued based on the last reported sale price of the Common Shares as reported on Nasdaq on the first business day of each calendar quarter when quarterly director fees are paid. The number of shares that will be issued for any such quarterly director fees with respect to which an election is in effect will be equal to the amount of the election divided by the applicable last sale price. No fractional shares will be issued and a director will receive cash in lieu of any fractional shares. That portion of the quarterly director fees for which no election is in effect will continue to be paid in cash. The shares so purchased will be deemed fully vested as of the quarterly payment date. In 2007, Mr. McKenna elected to have a total of $6,120 of his director fees paid in Common Shares and received 754 Common Shares.

Director Share Ownership Requirements

In April 2006, the Nominating and Corporate Governance Committee adopted a policy that all directors must purchase and own Common Shares with a purchase price equal to at least one-year s annual director fees. All directors are in compliance with this policy.

Committees of the Board

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

Audit Committee. The Board of Directors of the Corporation has appointed a standing Audit Committee consisting of Messrs. Giordano (Chairman), Masucci, and McKenna. The Board of Directors has determined that each member of the Audit Committee is independent, as defined in applicable Nasdaq corporate governance rules and SEC regulations. In addition, the Board of Directors has determined that Mr. Giordano qualifies as an audit committee financial expert, as defined in applicable SEC rules. The Audit Committee held ten meetings in 2007.

7

The Audit Committee is governed by a written charter approved by the Board of Directors, a copy of which is available on our website at www.intricon.com. The principal duties of the Audit Committee are to monitor the integrity of the financial statements of the Corporation, the compliance by the Corporation with legal and regulatory requirements and the independence and performance of the Corporation s independent auditors. The Audit Committee also approves all related party transactions and establishes procedures for (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submissions by the Corporation s employees of concerns regarding questionable accounting or auditing matters. In addition, the Committee selects the firm to be engaged as the Corporation s independent public accountants, and approves the engagement of the independent public accountants for all non-audit activities permitted under the Sarbanes-Oxley Act of 2002. The report of the Audit Committee appears on page 35.

Compensation Committee. The Board of Directors of the Corporation has appointed a standing Compensation Committee currently consisting of Messrs. McKenna (Chairman), Seamon, and Masucci. The Board of Directors has determined that each member of the Compensation Committee is independent, as defined in applicable Nasdaq corporate governance rules. The Compensation Committee reviews and makes recommendations to the Board of Directors concerning officer compensation and officer and employee bonus programs and administers the 2006 Equity Incentive Plan, Corporation s 2001 Stock Option Plan, Amended and Restated 1994 Stock Option Plan, Non-Employee Directors Stock Option Plan and Employee Stock Purchase Plan. The Compensation Committee met two times in 2007.

The Compensation Committee is governed by a written charter approved by the Board of Directors, a copy of which is available on our website at www.intricon.com. The principal duties of the Compensation Committee are to formulate, evaluate and approve the compensation of the Corporation s executive officers, oversee all compensation programs involving the issuance of the Corporation s stock and other equity securities of the Corporation, and review and discuss with the Corporation s management the Compensation Discussion and Analysis and preparing the Committee s report thereon for inclusion in the Corporation s annual proxy statement in accordance with applicable rules and regulations. The report of the Compensation Committee appears on page 18.

A discussion of the Compensation Committee s processes and procedures for the consideration and determination of executive and director compensation is included in Compensation Discussion and Analysis.

Nominating and Corporate Governance Committee. The Board of Directors of the Corporation has appointed a standing Nominating and Corporate Governance Committee currently consisting of Messrs. McKenna (Chairman), Giordano, Masucci and Seamon. The Board of Directors has determined that each member of the Nominating and Corporate Governance Committee is independent, as defined in applicable Nasdaq corporate governance rules. The Nominating and Corporate Governance Committee met three times in 2007.

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

Director Nomination Process

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

- the name and address of the shareholder making the recommendation and of each recommended nominee;
- a representation that the shareholder is a holder of record, and/or a beneficial owner, of voting stock of the Corporation entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to vote for the person(s) recommended if nominated;
- a description of all arrangements and understandings between the shareholder and each recommended nominee and any other person(s), naming such person(s), pursuant to which the recommendation was submitted by the shareholder;

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

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

The deadline for submitting the letter recommending a prospective director nominee for the 2009 annual meeting of shareholders is November 24, 2008. All late or non-conforming recommendations will be rejected.

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

Director Qualifications. The Nominating and Corporate Governance Committee has the sole authority to select, or to recommend to the Board of Directors, the Board of Director nominees to be considered for election as a director. Nominees for director must be at least 21 years old. Nominees for director will be selected on the basis of outstanding achievement in their careers; broad experience; education; independence under applicable Nasdaq and SEC rules; financial expertise; integrity; financial integrity; ability to make independent, analytical inquiries; understanding of the business environment; and willingness to devote adequate time to Board and committee duties. The proposed nominee should have sufficient time to devote their energy and attention to the diligent performance of the director s duties, including attendance at Board and committee meetings and review of the Corporation s financial statements and reports, SEC filings and other materials. Finally, the proposed nominee should be free of conflicts of interest that could prevent such nominee from acting in the best interest of shareholders.

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

9

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

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

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

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

SHARE OWNERSHIP OF CERTAIN BENEFICIAL

OWNERS, DIRECTORS AND CERTAIN OFFICERS

The following table sets forth certain information as of March 19, 2008, concerning beneficial ownership of the Common Shares by (i) persons or groups of persons shown by SEC records to own beneficially more than 5% of the Common Shares, (ii) directors and nominees, (iii) the executive officers named in the Summary Compensation Table included herein and (iv) all directors and executive officers as a group.

Name	Number of Shares Beneficially Owned[1]	Percent of Class
The Trust Company of New Jersey [2] 35 Journal Square Jersey City, NJ 07306	463,700	8.7%
Amivest Capital Management.[3] 275 Broadhollow Road Melville, NY 11747	448,700	8.5%
Estate of Siggi B. Wilzig [4] c/o Herrick, Feinstein LLP 2 Penn Plaza Newark, NJ 07105	336,575	6.3%
Dimensional Fund Advisors LP[5] 1299 Ocean Avenue, 11th Floor Santa Monica, CA 90401	314,639	5.9%
Mark S. Gorder Director, President and Chief Executive Officer[6]	481,183	8.9%
Robert N. Masucci Director [7]	134,868	2.5%
Michael J. McKenna Chairman of the Board of Directors [8]	114,959	2.1%
Nicholas A. Giordano Director [9]	81,867	1.5%
Philip N. Seamon Director [10]	15,000	*
	16,000	*

Steven M. Binnix Vice President and General Manager of RTI Electronics[11]		
Christopher D. Conger Vice President, Engineering [12]	37,100	*
Michael P. Geraci Vice President, Sales [13]	30,000	*
Dennis L. Gonsior Vice President, Global Operations [14]	26,000	*
Scott Longval Chief Financial Officer, Secretary, and Treasurer [15]	12,336	*
All Directors and Executive Officers as a Group (11 persons) [16]	960,579	16.8%

* Less than 1%.

11

(1) Unless otherwise indicated, each person has sole voting and investment power with respect to all such shares. The securities beneficially owned by a person are determined in accordance with the definition of beneficial ownership set forth in the regulations of the Securities and Exchange Commission. The information does not necessarily indicate beneficial ownership for any other purpose. The same Common Shares may be beneficially owned by more than one person. Beneficial ownership, as set forth in the regulations of the Securities and Exchange Commission, includes securities as to which the person has or shares voting or investment power. Common Shares issuable upon the exercise or conversion of securities currently exercisable or convertible or exercisable or convertible within 60 days of March 19, 2008 are deemed outstanding for computing the share ownership and percentage ownership of the person holding such securities, but are not deemed outstanding for computing the percentage of any other person. Beneficial ownership may be disclaimed as to certain of the securities.

(2) Based upon a Schedule 13D/A filed with the SEC on February 9, 2004.

(3) Based upon a Schedule 13G filed with the SEC on January 22, 2007. According to the Schedule 13G, Amivest Capital Management is an investment adviser and has sole power to vote the shares reported.

(4) Based upon a Schedule 13D filed with the SEC on October 2, 2003.

(5) Based upon a Schedule 13G/A filed with the SEC on February 6, 2008. According to the Schedule 13G/A, Dimensional Fund Advisors LP (Dimensional), is an investment advisor that furnishes investment advice to four investment companies, and serves as investment manager to certain other commingled group trusts and separate accounts. These investment companies, trusts and accounts are the Dimensional Funds. In its role as investment advisor or manager, Dimensional possesses investment and/or voting power over the Common Shares that are owned by the Dimensional Funds, and may be deemed to be the beneficial owner of the Common Shares held by the Dimensional Funds. The Schedule 13G/A states that to Dimensional s knowledge, no one Dimensional Fund beneficially owns five percent or more of the Common Shares. Dimensional disclaims beneficial ownership of all of the Common Shares.

(6) Includes 123,333 shares which Mr. Gorder has the right to acquire within 60 days of March 19, 2008 through the exercise of stock options. Also includes 5,000 Common Shares owned by his spouse and 14,000 Common Shares owned by his daughters. Mr. Gorder, whose business address is 1260 Red Fox Road, Arden Hills, MN 55112, is also President and Chief Executive Officer of Resistance Technology, Inc., a wholly owned subsidiary of the corporation.

(7) Includes 56,668 shares which Mr. Masucci has the right to acquire within 60 days of March 19, 2008 through the exercise of stock options.

(8) Includes 64,168 shares which Mr. McKenna has the right to acquire within 60 days of March 19, 2008 through the exercise of stock options.

(9) Includes 56,667 shares which Mr. Giordano has the right to acquire within 60 days of March 19, 2008 through the exercise of stock options.

(10) Includes 5,000 shares which Mr. Seamon has the right to acquire within 60 days of March 19, 2008 through the exercise of stock options.

(11) Includes 10,000 shares which Mr. Binnix has the right to acquire within 60 days of March 19, 2008 through the exercise of stock options.

(12) Includes 31,500 shares which Mr. Conger has the right to acquire within 60 days of March 19, 2008 through the exercise of stock options. Also includes 1,400 shares held by his wife through a retirement account.

(13) Includes 27,000 shares which Mr. Geraci has the right to acquire within 60 days of March 19, 2008 through the exercise of stock options.

(14) Includes 25,000 shares which Mr. Gonsior has the right to acquire within 60 days of March 14, 2008 through the exercise of stock options.

(15) Includes 10,000 shares which Mr. Longval has the right to acquire within 60 days of March 19, 2008 through the exercise of stock options.

(16) Includes 420,502 shares which directors and executive offices have the right to acquire within 60 days of March 19, 2008 through the exercise of stock options.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Background

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

Elements of Executive Compensation

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

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

Annual Cash Incentive Compensation. The Compensation Committee s philosophy is that a significant portion of the total potential compensation of our executive officers should depend upon the degree of our financial and strategic success in a particular year. The Compensation Committee approved the 2007 Bonus Plan, which is not set forth in a written agreement. The 2007 Bonus Plan was designed to reward the achievement of annual financial goals that are aligned with shareholder interests. Under the 2007 Bonus Plan, each of the executive officers was eligible to receive a cash bonus based on our exceeding certain earnings per share target amounts for the fiscal year 2007, calculated after giving effect to any bonuses accrued under the 2007 Bonus Plan. Depending upon the earnings per share target amount, Mr. Gorder was eligible to receive a bonus up to 150% of his base salary and each of the other executive officers was eligible to receive a bonus up to 75% of their respective base salary.

In February 2008, the Compensation Committee adopted the 2008 Bonus Plan. For further information, see 2008 Bonus Plan.

Long-Term Incentive Compensation in the Form of Stock Awards. In 2006, our Board of Directors and shareholders approved the 2006 Equity Incentive Plan. The 2006 Equity Incentive Plan is designed to:

- promote the long-term retention of our employees, directors and other persons who are in a position to make significant contributions to our success;
- further reward these employees, directors and other persons for their contributions to our growth and expansion;

- provide additional incentive to these employees, directors and other persons to continue to make similar contributions in the future; and
- further align the interests of these employees, directors and other persons with those of our shareholders.

To achieve these purposes, the 2006 Equity Incentive Plan permits the Compensation Committee to make awards of stock options, stock appreciation rights, restricted stock or unrestricted stock, deferred stock, restricted stock units or performance awards for our Common Shares. For more information concerning the 2006 Equity Incentive Plan, see 2006 Equity Incentive Plan.

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

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

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

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

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

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

- determine the following with respect to our executive officers: (i) the annual base salary level, (ii) the annual incentive opportunity level, (iii) the long-term incentive opportunity level, (iv) employment agreements, severance agreements, change in control agreements/provisions and other compensatory arrangements, in each case as, when and if appropriate, and (v) any special or supplemental benefits, in each case subject to the terms of any existing applicable employment agreement terms; and
- determine the compensation payable to directors and members of committees of the board, including the Chairman of the Board and the Chairman of each committee, other than directors who are our salaried employees.

Delegation of Authority. As provided under the Compensation Committee s charter, the Compensation Committee may delegate its authority to special subcommittees of the Compensation Committee as the Compensation Committee deems appropriate, consistent with applicable law and Nasdaq listing standards. Additionally, the 2006 Equity Incentive Plan permits the Compensation Committee, subject to criteria, limitations and instructions as the Compensation Committee determines, to delegate to an appropriate officer of the Corporation the authority to determine the individual participants under that Plan and amount and nature of the award to be issued to such participants; provided, that no awards may be made pursuant to such delegation to a participant who is subject to Section 16(b) of the Securities Exchange Act of 1934, as amended. To date, the Compensation Committee has not delegated its responsibilities except that in January 2008, the Compensation Committee delegated to the Chief Executive Officer and Chief Financial Officer the authority to grant up to 5,000 stock options under the 2006 Equity Incentive Plan to employees working in our Singapore facility.

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

Role of Compensation Consultants in Determining or Recommending Executive Compensation. Under its charter, the Compensation Committee has authority to retain, at the Corporation s expense, such counsel, consultants, experts and other professionals as it deems necessary. To date, the Compensation Committee has not relied on consultants. Instead, from time to time, the Compensation Committee conducts an informal survey of area companies and review the compensation practices of the surveyed companies.

The Compensation Committee intends to retain a compensation consultant to review the Corporation s compensation structure on a company-wide basis in 2008.

Determination of Executive Compensation

Base Salary. Typically, the Compensation Committee reviews and adjusts base salaries on an annual basis. In December 2006, the Compensation Committee increased the 2007 base salary of Mr. Gorder, our President and Chief Executive Officer, and each of the other executive officers by 4%. In December 2007, the Compensation Committee increased the 2008 base salary of each of our executive officers ranging from approximately 12% to 28%. Additionally, the Compensation Committee may increase base salary as a result of promotions. The following table shows the base salaries of our current executive officers as in effect at the end of each of 2006, 2007 and 2008. Mr. Gruenhagen, our Vice President of Corporate Quality and Regulatory Affairs, was named an executive officer in December, 2007 and therefore is not included in this discussion.

15

Name and Principal Position	**2006 Annual Base Salary**	**2007 Annual Base Salary**	**2008 Annual Base Salary**
Mark S. Gorder, President and Chief Executive Officer	$ 300,000	$ 312,000	$ 350,000
Scott Longval, Chief Financial Officer and Treasurer	$ 125,000	$ 130,000	$ 165,000
Steven M. Binnix, Vice President and General Manager of RTI Electronics	$ 150,000	$ 156,000	$ 175,000
Christopher D. Conger, Vice President, Research and Development	$ 140,000	$ 145,600	$ 185,000
Michael P. Geraci, Vice President, Sales and Marketing	$ 150,000	$ 156,000	$ 200,000

Dennis L. Gonsior, Vice President, Global Operations	$ 140,000	$ 145,600	$ 185,000

Annual Cash Incentive Compensation. In December 2007, the Compensation Committee determined that because the minimum target under the 2007 Bonus Plan had been met, Mr. Gorder, our President and Chief Executive Officer would be entitled to a bonus equal to 20% of his base compensation and the other executive officers, other than Mr. Gruenhagen, would be entitled to a bonus equal to 10% of their 2007 base compensation.

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

In December, 2007, the Compensation Committee awarded stock options to the Corporation s executive officers under the 2006 Equity Incentive Plan to purchase Common Shares at an exercise price of $14.70 per share, the fair market value of the Common Shares on the date of grant. In January, 2008, the Compensation Committee awarded stock options to certain of the Corporation s other key employees under the 2006 Equity Incentive Plan to purchase Common Shares at exercise prices of $11.33 per share and $10.60 per share.

Generally, the options will become exercisable in three equal, annual installments beginning one year from the date of grant or earlier upon the death, disability or retirement of the recipient or our change of control (as defined in the 2006 Equity Incentive Plan).

For information concerning stock options granted to our executive officers for 2007, see Grants of Plan Based Awards in 2007.

Employment Agreements and Change in Control Arrangements

In October, 2007, we entered into employment agreements with Mark S. Gorder, our President and Chief Executive Officer, and the executive officers named in our Summary Compensation Table.

16

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

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

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

Accounting and Tax Considerations

Under our prior stock options plans, the Compensation Committee was limited to issuing stock options. The Compensation Committee is evaluating making awards using the other types of awards permitted under the 2006 Equity Incentive Plan in light of Statement of Financial Accounting Standards No. 123, Share-Based Payment (revised 2004), commonly referred to as FAS 123(R). This accounting standard, which we adopted as of January 1, 2006, requires us to record as compensation expense the grant date fair value of a stock option over the life of the option. Prior to the adoption of FAS 123(R), no compensation expense was required to be recorded in connection with stock options granted at fair market value. The Compensation Committee intends to consider the compensation expense of option and other equity grants when making future awards; however, given that, traditionally, the Compensation Committee has not made large grants of option awards to our executive officers and employees, we do not expect that the compensation expense associated with option grants will have a material effect on our reported earnings.

Generally, Section 162(m) of the Internal Revenue Code of 1986, referred to as the Internal Revenue Code, and the Internal Revenue Service, referred to as the IRS, regulations adopted under that section, which are referred to collectively as Section 162(m), deny a deduction to any publicly held corporation, such as the Corporation, for certain compensation exceeding $1,000,000 paid during each calendar year to each of the chief executive officer and the four other highest paid executive officers, excluding, among other things, certain qualified performance-based compensation. Our policy is to maximize the tax deductibility of compensation paid to our most highly compensated executives under Section 162(m). For example, our 2006 Equity Incentive Plan is intended to satisfy certain of the requirements for an exemption for qualified performance-based compensation under Section 162(m). We do not believe that Section 162(m) will have a material adverse effect on us in 2008.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis section appearing above with our management. Based on this review and these discussions, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in our annual report on Form 10-K for the fiscal year ended December 31, 2007 and in this proxy statement.

The Compensation Committee

Michael J. McKenna (Chairman)

Robert M. Masucci

Philip N. Seamon

The information contained in this Compensation Committee Report is not soliciting material and has not been filed with the Securities and Exchange Commission. This Compensation Committee Report will not be incorporated by reference into any of our future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Summary Compensation Table

The following table summarizes compensation earned during 2006 and 2007 by our chief executive officer, chief financial officer and each of our executive officers, other than Mr. Gruenhagen who did not become an executive officer until December, 2007. We refer to these individuals throughout this proxy statement as the Named Officers.

Name and Principal Position	Year	Salary ($)	Bonus(1) ($)	Stock Awards (2) ($)	Option Awards (3) ($)	Non-Equity Incentive Plan Compensation (4) ($)	All Other Compensation (5) ($)	Total ($)
Mark S. Gorder,	2007	312,000			39,035	64,200	25,547	440,782
President and Chief Executive	2006	299,052	20,000		21,780		30,456	371,288
Officer (principal executive officer)								
Scott Longval,	2007	130,000			25,774	13,000	3,501	172,275
Chief Financial Officer and	2006	106,573	5,000		10,468		157	122,198
Treasurer (principal financial officer)								
Steven M. Binnix,	2007	156,000			24,533	15,600	7,773	203,906
Vice President and General	2006	150,000	7,500		14,431		7,759	179,690
Manager of RTI Electronics								
Christopher D. Conger,	2007	145,600			33,322	14,560	5,019	198,501
Vice President, Research and	2006	139,625	7,500		20,434		4,992	172,551
Development								