INTRICON THIRD QUARTER 2011 EARNINGS CONFERENCE CALL

November 8th, 2011, 4:00 PM CT

Chairpersons: Mark Gorder, CEO, and Scott Longval, CFO

Operator: Good afternoon, ladies and gentlemen, and thank you for standing by. Welcome to the IntriCon Third Quarter 2011 Earnings Conference Call. During today's presentation, all parties will be in a listen-only mode. Following the presentation, the conference will be opened for questions. If you have a question, please press the star, followed by the one on your touchtone phone. You may withdraw your question by pressing the star, followed by the two. And for anyone using speaker equipment, we ask that you please lift the handset before making your selection. This conference is being recorded today, Tuesday, the 8th of November.

I would now like to turn the conference over to Mr. Scott Longval, Chief Financial Officer. Please go ahead, sir.

Scott Longval: Thank you, Operator. Joining me on today's call is Mark Gorder, IntriCon's CEO. But before we begin, I'd like to preface our remarks with the customary Safe Harbor statement.

Today's conference call contains certain forward-looking statements. These statements are based on current estimates and assumptions of IntriCon's management and are subject to uncertainty and changes in circumstances. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Actual results may vary materially from the expectations contained in today's call. Important factors that could cause such differences include, among others, those set forth under the heading Risk Factors and management's discussion and analysis of financial conditions and results of operations in our 10-K filing for the year ended December 31st, 2010.

With that, I'd now like to introduce Mark for a strategic look at IntriCon's third quarter.

Mark Gorder: Thank you, Scott, and thank you, everyone, for joining us today. I would like to begin by reviewing our 2011 third quarter results and key highlights for the Company. After that, Scott will cover the financials in more detail, and then we'll open up the call for questions.

By this time, most of you have had a chance to review our third quarter press release. Although economic softness has continued to adversely impact our year-over-year results, we believe the long-term fundamentals of the markets we serve remain strong. In addition, our strategic commitment to increasing R&D investment over the last five years should better position IntriCon to meet the demand for small and lightweight advanced body-worn medical devices. As evidence, developing a larger portfolio of core technologies has allowed us to pursue several high potential initiatives for future growth. Hi HealthInnovations, the UnitedHealth Group business is an example of this.

Over the past five years, we've worked to create a platform of technically advanced hearing devices that can be manufactured cost effectively and meet the needs of a broad population. Additionally, we have a recently FDA-approved cardiac monitor that offers key patient benefits; and we continue to incorporate our innovative PhysioLink and nanoDSP technology into our product lines.

Looking at revenue for our three businesses, third quarter hearing health revenue was flat with the prior-year third quarter and down 7.3% when compared sequentially to the 2011 second quarter. As I said in the press release, the hearing health industry remains very fluid but continues to be constrained by low consumer confidence in the economy. We believe continued market acceptance of our innovative digital signal processing circuits, such as our nanoDSP, Overtus DSP Amplifier, and complete systems, such as our APT and Lumen, will drive future growth in this business. In addition, the previously announced hi HealthInnovations agreement holds tremendous potential.

Medical sales declined 8.9% year-over-year and increased 1.1% sequentially. What we're hearing from our large medical customers is that they continue to face economic headwinds on several fronts, including regulatory delays and sluggish demand. Though current sales levels remain soft, our large OEM customers, such as Medtronic diabetes division, are optimistic about their long-term prospects with us. Furthermore, we anticipate our two wireless cardiac diagnostic monitoring devices, the Centauri, which received FDA 510(k) approval in August, and the Sirona, which was submitted for FDA 510(k) approval in September, will provide growth in 2012.

On the professional audio communications side, sales were down 8.3% from the prior-year third quarter. However, they did rise 8.7% sequentially from the 2011 second quarter, benefiting from an increase in our securities business as contracts secured in the 2011 second quarter began to ship. We expect these contracts to augment professional audio sales during the fourth quarter and into 2012.

I'll now touch briefly on key highlights for the Company. At the top of the list is our agreement to become hi HealthInnovations' supplier of hearing aids. Hi HealthInnovations has launched a suite of high-tech, lower-cost hearing devices for the estimated 36 million Americans with hearing loss. They will offer consumers technically advanced hearing aids, including those based on IntriCon's new APT Open-in-the-canal hearing aid platform.

An estimated 75 to 80% of people who could benefit from hearing devices do not use them, partially due to the high cost. That's why we're so excited about this opportunity in what hi HealthInnovations is doing to bring high-quality hearing aids at affordable prices to an expanding population. We expect to realize meaningful revenue for this program beginning in 2012 first quarter.

As we previously disclosed, we devoted considerable time and resources during the year securing the agreement and preparing for the program's launch. This had a significant adverse impact on the Company's financial performance in 2011, which Scott will expand on later.

As I said earlier, the Company received 510(k) marketing clearance from the FDA for the Centauri Ambulatory Patient ECG, our first generation wireless cardiac diagnostic monitoring system. The Centauri combines event recording with wireless transmission of patient data, allowing physicians to continuously monitor patient cardiac events remotely. We anticipate modest revenue contributions from this product in the 2012 first quarter, with more substantial revenue generated in the latter half of 2012.

On the core technology front, PhysioLink, our wireless technology, is currently being incorporated into various product platforms. PhysioLink enables audio and data streaming to ear-worn and body-worn applications over distances of up to five meters. This advanced wireless technology has applications across multiple markets, including medical, hearing health, and professional audio communications. The first product platform to incorporate the PhysioLink wireless technology will be Sirona, our second-generation wireless CDM device. This small, rechargeable product platform can be used as an event recorder, a holter monitor, or a wireless event recorder. We submitted the Sirona for 510(k) approval with the FDA in the third quarter.

Now I'd like to turn the call back over to Scott for a discussion of our financials.

Scott Longval: Thank you, Mark. I'll begin by reviewing our third quarter financial results in more detail. The Company reported net sales of 13.9 million versus net sales of 14.7 million for the prior-year period. IntriCon reported a net loss in the 2011 third quarter of 489,000, or $0.09 per diluted share, compared to net income of 243,000, or $0.04 per diluted share, for the prior-year third quarter.

Gross profits for the 2011 third quarter were 22.2%, down from 25.9% in the prior-year period, mainly due to lower sales volumes, costs related to establishing the Company's Indonesian facility, and ramp up costs associated with the hi HealthInnovations agreement. The decrease in gross profits were partially offset by the impact of various profit enhancement programs.

Operating expenses for the third quarter were slightly higher than the 2011 second quarter and the prior-year comparable period. Sales and marketing were relatively flat as compared to the prior-year period, however, general and administrative expenses in research and development increased over the prior-year period, primarily due to investment to support product offering under the hi HealthInnovations' manufacturing agreement and the ramp up of the new Indonesian manufacturing facility.

Looking at the nine-month period, IntriCon reported net sales of 41.6 million and a net loss of 1.1 million, or $0.19 per diluted share. This compares with 2010's net sales of 44.2 million and net income of 530,000, or $0.10 per diluted share. Gross profits for the 2011 nine months were 22.4%, down from 26.1% in the prior-year period, again primarily due to the factors I listed above.

During the third quarter, we amended our credit facilities with The PrivateBank and Trust Company. The $12 million amendment consists of an $8 million revolving credit facility and a $4 million term note. The extended terms and increased borrowing capacity of nearly $2 million enhances our financial flexibility and strengthens the Company both in the short and long term. We're using these facilities to fund current growth opportunities, expand our low-cost manufacturing footprint and meet anticipated working capital requirements. The total debt at the end of the third quarter was 9.4 million compared to 8.6 million at the end of 2010.

Looking at other financial metrics, IntriCon generated approximately 530,000 in positive operating cash flow during the first nine months of 2011. Our total cash cycle days at September 30th, 2011, was 81 days versus 85 days for the comparable 2010 period. Cash cycle days are comprised of days sales outstanding, which was 49, plus days sales and inventory, which was 81 at the end of the third quarter, less days payable outstanding, which stood at 49 days.

Now, I'd like to turn the call back over to the Operator so we can take your questions.

Operator: Thank you, sir. We will now begin the question and answer session. As a reminder, if you have a question, please press the star, followed by the one on your touchtone phone. If you'd like to withdraw your question, please press the star, followed by the two. And if you're using speaker equipment, you will need to lift the handset before making your selection. One moment, please, for our first question.

And our first question comes from the line of Mr. Sam Bergman from Bayberry Asset Management. Please go ahead.

Sam Bergman: Good afternoon, Mark and Scott. How are you?

Scott Longval: Good, thanks.

Mark Gorder: Good, how are you doing, Sam, how are you today?

Sam Bergman: Good, good, beautiful weather, 70 degree weather, unexpected. A couple of questions I have. Regarding the PhysioLink products and that particular technology going into your second-generation monitors, what are the advantages over current technology with that particular product?

Mark Gorder: The Sirona offers three types of monitoring in one device; the traditional holter monitoring, the event recording, and also wireless events (ph). The PhysioLink technology in there in the first rendition of Sirona is used to allow the technician to wirelessly connect with a PC and, during the setup, make sure that the device is properly recording the ECG signals. We will later on add a second device we call a remote monitoring cell phone device that will pick up the data from the Sirona and transmit it to service centers, doing in a similar fashion what our Centauri does. But the first-generation, the wireless is only doing the setup mode for the technician; but this is a very miniature device comparing to other devices that are out there, also waterproof. And the small size and the waterproof makes it a very appropriate device to replace what's currently being used, in our opinion.

Sam Bergman: In other words, the first (audio interference)?

Scott Longval: Sam, you cut out there. Can you repeat that question?

Sam Bergman: In using that product, we have no issue taking a shower and getting it wet, like the older versions?

Mark Gorder: That's correct. That was the reason that we made it waterproof, because the patient has to wear these things for up to 30 days and so we wanted to be able to make it very user-friendly, very robust.

Sam Bergman: Was that product designed in mind of a specific OEM that requested that design, or several OEMs that requested that design? Or was it done by your R&D team on its own merits?

Mark Gorder: It was done—I would say it's just a product platform that's geared at serving the whole market, and there are several accounts that we have—we talked to during the development to make sure that the platform was flexible enough to serve the needs of several accounts. So it's not tied to any one manufacturer; it's really a platform developed for the whole market.

Sam Bergman: And going to the first-generation, the Centauri, has that had any sales as of yet, or is that not in the sales channel?

Mark Gorder: It—there—with these type of devices, we also have to bridge the gap that—our customers have their own monitoring software that we have to interface with. So, even if you have a device, we still have to work with the customer to develop software interfacings so that our product will deliver the data to their PC monitoring software in a format that allows them to do the types of monitoring and analysis that they want to do. So, we don't anticipate any meaningful sales of the product and probably until the second quarter of 2012 due to (cross talking).

Sam Bergman: So the—so then the Sirona would even come far later than that, right?

Mark Gorder: Yes, it would be towards the second half of the year for the Sirona. There are similar software issues with the Sirona as well because the—in all cases, the customers have software that they either download the data directly or remotely, or—and then they want to do some analysis, so we have to provide these software interfaces.

Sam Bergman: So, how do you use these products, I mean, once they're up and running and the patient's using them?

Mark Gorder: They're very user-friendly. Once you set it up, for example, in the case of a holter monitor, the patient doesn't really have to do anything. They just—the technician sets it up, makes sure it's running, and then you bring it back in the required amount of time and the data gets downloaded into the PC and they do their analysis. In the case of the wireless event, the patient may have to press one of the buttons on the front screen to indicate that an event has occurred and that they should start recording. And in the case of the Centauri, the data is automatically transmitted, so the patient really doesn't have to do any interfacing with the device.

Sam Bergman: So just on both those products, did you foresee this type of delay for the integration of software by the providers when the product was being R&D'd and finally put to the FDA and then afterwards trying to launch it in the sales channel? It just seems to me that it's a very long cycle once it got its FDA approval to actually paying some revenues for the Company.

Mark Gorder: Well, I think the—we anticipated the software cycle—as there were delays in getting the product completed, there were some technical hurdles we ran into that was much—the wireless connectivity with the cell phone technology was much more complex than we anticipated and that development took a lot longer. Once we submitted it for FDA, I don't think the cycle is any longer than we anticipated, but our development cycle was much longer than we anticipated. So it took us much longer to get it to the FDA for review than we had anticipated.

Sam Bergman: I see. And just one quick—sorry, go ahead.

Mark Gorder: There was several months delay in that that we didn't—that some of the technical difficulties we underestimated.

Sam Bergman: And going to hearing health and the announcement by you and UnitedHealth on the distribution of the hearing product, I mean it's a great announcement and it seems like, if it's utilized by their customers, there's a lot of potential there. But, let me ask you, in terms of going online and buying a hearing aid, is there a hearing test that's done online for these UnitedHealth customers? And is that an adequate test for a person to go ahead and buy a hearing aid and feel that it's going to do the job for that person once he receives it and puts it in?

Mark Gorder: Let me answer that. First of all, I think that United will be a much better source of information regarding to the efficacy of their test, but I can tell you this, that as the supplier of devices, we're giving them state-of-the-art digital devices with features that have been proven beneficial to people with hearing loss. They include features like directional microphones, excellent feedback cancellers, automatic game control, and wide dynamic range compression, noise management, multiple programs, and so forth. So we think that they have very high quality devices.

Now we know that they have worked on a test that we think is very innovative. And I think I would direct you to their press releases and website to talk about how that test is structured, what it does, and what kind of scientific research has been done to support the test.

Sam Bergman: Okay. Thank you.

Operator: Thank you. Our next question comes from the line of Dick Rhine (ph) with Dougherty (ph) & Company. Please go ahead.

Dick Rhine: Thanks for taking my questions this afternoon. A couple of follow-ups to the HealthInnovations program. You mentioned adverse impact for investment in 2011. Can you give a sense of what sort of investments you made to get this program to where it is now, and how, you know, we should look at the spend going forward?

Scott Longval: Sure, this is Scott. Thanks for the question. I'll break it down in two different components. We had a tremendous amount of spend, not only in capital in regards to tooling to prepare ourselves for the products that we will be supplying HealthInnovation, but there was a tremendous amount of research and development and sales efforts that ran through the P&L through the year. From a cash impact perspective for the first nine months, I would say approximately about $1.4 million of cash was outlaid for this program. Of that, about $800,000 has run through the P&L, and if you look at this last quarter, it was probably the both of those costs went through.

We anticipate that we'll continue to incur a substantial chunk of those costs here in the fourth quarter and probably bleed over into the first quarter. So that's kind of the investment focus that we've had on that program for 2011 and how we see that continuing to impact us going forward.

Dick Rhine: Okay. And while the announcement's still pretty fresh, what's been the response from your traditional customers regarding the UnitedHealth announcement?

Mark Gorder: Well, there's always concern when there's change, but what we've tried to emphasize to our customers is we think that what United—what hi HealthInnovations is doing we think will expand the market. There is good data out there that says that insurance coverage and affordability increase the adoption of hearing devices and move the point at which you would treat your hearing disability to a much lower level of loss than you would have without full insurance coverage. This means you're going to bring people into the system earlier. And what they're doing is very innovative; it provides more access, so we think the combination of these things is going to draw a lot of people into the market that are not now being served, so we think this is going to help our customers. And our association with United obviously makes us a stronger company and anything that makes us a stronger company also makes us a better supplier to all of our customers.

Dick Rhine: Do you think other potential partners or entities are looking at what United is trying to do and maybe entertaining their own thoughts regarding this marketplace as well?

Mark Gorder: That's possible, but nothing that I'm aware of.

Dick Rhine: Okay. Great, thank you.

Scott Longval: Thanks, Dick.

Operator: Thank you, ladies and gentlemen. If there are any additional questions, please press the star, followed by the one at this time. As a reminder, if you're using speaker equipment, please lift the handset before making your selection.

And our next question is a question from the line of Mark Spiegel with Stancil (ph) Capital. Please go ahead.

Mark Spiegel: Yes, hi. Thank you. Can you provide a little bit of color as to what the margins will look like on this UnitedHealth deal? I mean, is it a 50/50 revenue share, or are you going to wind up with sort of your traditional 20 something percent gross margins?

Scott Longval: We don't get specific into programs. What I can tell you though is this program, along with some of the other programs that Mark highlighted, will contribute to our corporate goal, which is increasing our overall gross margin. Right now, we are in the low 20s to mid-20, and clearly, we need to accelerate expansion of those margins. And so, if you look at corporate strategies that we've laid out in the past of getting to that 30% hurdle, the 35% hurdle, we believe all the programs that we're working on will contribute to us achieving those goals.

Mark Spiegel: Okay. And then, sort of a follow-up to a question that was asked by the last person about other potential, you know, health insurance companies and everybody else doing this, are you allowed to supply this product to other companies, or is this an exclusive situation with United?

Mark Gorder: Yes, we cannot provide this type of an offering to any other health care provider.

Mark Spiegel: Okay, cannot?

Mark Gorder: Cannot.

Mark Spiegel: Cannot.

Scott Longval: But I would—to further on Mark's comment, the device—the APT device, we are able to offer that platform to our other OEM customers.

Mark Gorder: Yes, it does not preclude us from serving our existing customer base, but—

Mark Spiegel: So, what—what you—what is it that you can't offer, that you can't offer, like, an Internet-based hearing test, you know, direct sale thing? Or is it the actual—or could you do that if you just designed a slightly different product for somebody else? In other words, is it the design of the product or is it the method of marketing that you're not allowed to do with a competitor?

Mark Gorder: Well, we're an OEM supplier and, basically, we're going to stick to our niche as being an OEM supplier and work with people like United or Medtronic or the existing hearing health customers in our channel. I don't see that as our business stepping out and getting into Internet sales.

Mark Spiegel: Right, but I mean—but that's sort of what United is doing. So what I'm wondering is if somebody else wanted to come along and do Internet sales, could you slightly modify this product and supply them?

Mark Gorder: No, we can't provide this to any other health insurer. That's part of our agreement with United.

Mark Spiegel: Okay, so it's a health insurer exclusive? Is that what it is?

Mark Gorder: Yes.

Scott Longval: Correct.

Mark Spiegel: Okay, very good. Thank you.

Operator: Thank you. And our next question is a follow-up question from the line of Sam Bergman, Bayberry Asset. Please go ahead.

Sam Bergman: On the hearing and health again, have you had any OEM customers that have come back to you and have told you they are going to stop purchasing product from IntriCon because of the UnitedHealth deal?

Mark Gorder: No, we've not had that—anybody come and tell us that at this point.

Sam Bergman: Okay. If I go back to a conference call we had year-end 2010, it seems to me that I was led to believe—and I think shareholders were led to believe that Centauri and the Sirona, one of them would have much more of an immediate impact on revenue, sort of timeframe would have been the third quarter of this year, no later. It seems to me that it has been pushed out by nine months to a year, and so—I mean, is that the significant change for trying to estimate where your revenues are going to be for a shareholder because of the delays in adoption of these two products? So I'm just wondering, if you're looking at those two products and delays occurring, which after they're being approved by the FDA, where do you expect the short-term revenue growth to occur, knowing that you have these delays in the product acceptance and there aren't that many other design wins that are—that have been mentioned for fourth quarter, first quarter of 2012?

Mark Gorder: Let me—well, I'll let Scott deal with the revenue projection on the Centauri, but as far as design wins, we've had several design wins in all of our businesses. I think the—well, obviously, UnitedHealthcare is probably the most predominant, but in our business relationship with other medical customers, we've got some design wins that will—in the Medtronic arena, the Smiths medical arena, some of our other large medical OEMs where business will be increasing next year. We've also got the government contracts that are—that we have won that were delayed that are now starting to ramp up in Q4 and Q1 of next year. So there isn't just the United contract that we won; we've also got other initiatives going in the other businesses which we're excited about and are going to contribute to the growth going forward.

Maybe, Scott, you can talk about the Centauri.

Scott Longval: Yes, well, I'll echo Mark's comment. First of all, we don't announce every design win or contract win. There's a number of our customers that we're under strict NDAs with, so it precludes us from announcing some of these wins. If we look at growth coming from each of our markets, we have significant potential with a lot of our current medical customers. Mark mentioned the Medtronic diabetes group. We think there's an opportunity to expand that business with them. Within our professional communications business, we talked about some of the wins on the security business side. And on the hearing health, obviously, we believe the HealthInnovations will be a great driver of growth.

As we were—as you had talked a little bit about the Centauri, specifically, I think, you know, Mark mentioned we did have some technical delays, but with those delays, we're not going to sacrifice the safety and efficacy of these devices. These are complex devices and it's something that, you know, we take great pride and focus to make sure that we're delivering high-quality devices. And when we go to the FDA, we go with something that we have a high level of confidence that will meet our objectives.

So we did have a delay, and I think Mark talked about that, and I would say that, you know, the delay was six to nine months. And I think we'll, as Mark mentioned, we'll start to see revenue of that come the first part of next year, with more meaningful revenue towards the latter part. But I think all of these things that I've highlighted will help drive IntriCon to achieve their corporate strategy, and one of those strategies is double-digit growth in each one of our markets, and we feel that these opportunities can drive that type of growth.

Sam Bergman: But is it possible that, even though you didn't know these delays were going to happen, that you're also overestimating the type of growth that you potentially can have from these products because they're somewhat new markets, or it's new OEM customers, and up to now, we don't really have any feedback from these OEM potential customers what their revenues are going to be to you guys on purchases going forward.

Scott Longval: I think the preliminary feedback that we've received has been positive. While these devices have not been FDA approved, we have—at least the Sirona, we have demo'd the Centauri, and there has been a positive feedback on the Centauri. And we feel that the advantages that the Sirona has over the current products in the marketplace can hold a tremendous amount of upside. You know, we're not quantifying that today because it's difficult to quantify because of those factors that you noted. But we do feel comfortable that they will provide revenue growth, and we're anticipating it in a meaningful way in the latter half of next year.

Sam Bergman: And (cross talking).

Mark Gorder: I'm sorry, Sam. We also have gotten some positive feedback. Some of our customers were experiencing FDA delays in getting their products approved on the medical side, and we're now hearing that some of that is starting to move forward, that there's some momentum building. We've heard some people that have received FDA approval on programs that we're designed into, and we expect some of those to start moving forward early next year. So, those are all positive things we're hearing.

Sam Bergman: But I'm sure, Mark, you're not happy with the delays and nor are the shareholders, but it all goes back to, you know, comments made nine months ago, where we thought the revenue and the bottom line numbers were going to finally start growing by the second and third quarter of 2011, and it seems like it's been pushed out, you know, several quarters forward, probably not until the middle of 2012. So it's kind of a disappointment on my end and I'm sure it's a disappointment with you and the boys.

And just one last question. Indonesia, what were the expenses for getting the Indonesia plant up and running?

Scott Longval: We had some renovation there, and we've also hired a number of people. I think, to date, we have about 30 people there. And the total cost of that has been a couple of hundred thousand dollars, and that was incurred in pretty much—primarily all in the third quarter.

Sam Bergman: And what types of products are going to be made there? Or is there a specific product that's being made there?

Mark Gorder: It—because we're a global manufacturer, a lot of the—depending on what kind of product we're making. For example, a lot of the high technology firmware and microelectronics are done here in Minnesota. And we tend to do—we'll tend to do the things in Indonesia that are very labor intensive, and we'll put the—we'll assemble the product using the plants that most optimally will produce the quality and the cost that we need. So because we're global, there's no one plant producing any one product entirely.

Sam Bergman: Okay, thank you.

Operator: Thank you. And our next question is a follow-up question from the line of Mark Spiegel with Stancil Capital. Please go ahead.

Mark Spiegel: Hi, thank you. One more question, a follow-up. On the UnitedHealth deal, can you talk about how much manufacturing capacity you have for the hearing aids, you know, if this thing really takes off, how many you can crank out a year?

Mark Gorder: I—we've—that's a difficult question to answer because we don't really—we don't know the exact numbers that are being expected from us, but we've got ample footprint in Singapore, Indonesia, and Minnesota to handle almost any reasonable number that UnitedHealthcare could require of us.

Mark Spiegel: So, I mean, you know—so, let's say you could sell—I mean, I'm pulling a number out of the air, but let's say you could sell 100,000 a year of these, you can handle that?

Mark Gorder: Yes, that would be no problem for us.

Mark Spiegel: Okay, thanks. And the last question, is this actually a different design from the other OEM designs you're doing?

Mark Gorder: No, these are standard technologies that we've developed over the years that provide some of those inter—you know, they're state-of-the-art digital devices that we've developed over the last few years, and there's nothing unique about the digital devices. You know, they're high quality state-of-the-art and products that we offer both to the conventional channel and to United.

Mark Spiegel: Okay. Thank you very much, good luck with it. It's an interesting deal you have there.

Mark Gorder: Thank you, good question.

Operator: Thank you and our next question is a follow-up question from the line of Dick Rhine with Dougherty & Company. Please go ahead.

Dick Rhine: Thank you. Just a couple of more on United. Was there a minimum order commitment with this agreement, or timeframe?

Mark Gorder: No, there was not.

Dick Rhine: Okay. Thank you.

Operator: Thank you. And, ladies and gentlemen, if there are any additional questions, please press the star, followed by the one at this time. For anyone using speaker equipment, please lift the handset before making your selection. One moment please.

And your next question is from the line of Cameron Mogsdare (ph) of (inaudible) Capital. Please go ahead.

Cameron Mogsdare: Thanks for taking the question and congratulations on the United deal.

Mark Gorder: Thank you, Cameron.

Cameron Mogsdare: Do you have any concept on—of the marketing budget that United plans to put behind this?

Mark Gorder: No, we do not. We're strictly acting as an OEM manufacturing partner for them, and we know that they're doing a lot of things there to develop their channel, but we don't really know—we don't have any access to the specific budgets and/or tactics that they're trying to employ here.

Cameron Mogsdare: Can you talk a bit about what their strategy? Is United's aim—I mean, they're such a big company; is this a revenue profit driver for United, or is it internally for them seen as a service to make their members lots better? What is their primary motivation?

Mark Gorder: Cameron, I'm not really in a very good position to comment on their strategy. I know that there are several good documents on their website talking about their various strategies, and I've gone on there and read those. I guess I would direct you there. And it's very insightful when you read what's on their website, and I can direct you there and I think you can draw your own conclusion.

Cameron Mogsdare: You know, I've looked and I'm not able to reach a conclusion, so maybe offline we can discuss that further.

Mark Gorder: Well, maybe I can—I might be able to provide you with some links to specific things on their website. So, maybe Scott and I can get your—

Cameron Mogsdare: Okay, great. Sure, we can—

Mark Gorder: Follow-up information.

Cameron Mogsdare: We'll email you after. And then, if I go to Wal-Mart or Costco, I see a little hearing aid alcove (ph) popping up and I don't know if it's De Nova or who the OEMs are. But with reference to a prior question, are you able to take your products to such channels, because when I look through your P&L, it really doesn't make sense to me—the gross margins of the business sort of competitors are in excess of 70%. And I realize you're an OEM, but are you able to take your completed product to other channels, or would that be in violation of (inaudible) deal?

Mark Gorder: The particular examples you gave of Wal-Mart, I know that several of the conventional manufacturers in the current channel have relationships with people like Costco and Walmart. And I think that—I don't know if they have exclusive relationships or if there is more than one supplier that is involved with serving Wal-Mart and/or Costco, but that's really not our business. Our business is providing devices on an OEM basis to people who are creating channels to provide hearing aids to the hearing impaired. That's not our area of expertise. We're high technology manufacturers of body-worn devices.

Cameron Mogsdare: Okay. And then, you know, just a small number of placements on a relative scale to this market would add up to—you know, 50 or 100,000 hearing aids would be incrementally very meaningful to you. Are you in a position to project significant profitability in the coming year? I know you'll defer, but do you agree with the conclusion?

Scott Longval: Well, I think it goes back to what I stated earlier. We think this program, amongst others that Mark mentioned, are going to help us achieve our goal, which is revenue expansion and margin expansion.

Cameron Mogsdare: Okay, great. Thanks so much for the call.

Scott Longval: Thank you.

Operator: Thank you, and at this time we have no further questions. I'd like to hand the call to Mr. Mark Gorder, Chief Executive Officer.

Mark Gorder: Once again, we appreciate you taking time out of your day to join the call. We're encouraged about our long-term prospects and future growth opportunities. We look forward to supporting all of our customers by creating cost effective, high-quality, and technically advanced body-worn devices based on proprietary IntriCon technology. We look forward to updating you on our progress in the future. Thanks again for participating in the call.

Operator: Ladies and gentlemen, this concludes the IntriCon Third Quarter 2011 Earnings Conference Call. If you'd like to listen to a replay of today's conference, please dial 1-800-406-7325, using access code 4483138. We would like to thank you for your participation. You may now disconnect.

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