

## **Related Party Transaction Policies and Procedures**

### **Policy**

It is the policy of the Board of Directors of IntriCon Corporation (the "Company") that all Related Party Transactions with Related Parties, as those terms are defined in these Policies and Procedures, shall be subject to approval or ratification in accordance with the procedures set forth below.

### **Procedures**

The Audit Committee shall review the material facts of all Related Party Transactions that require the Committee's approval and either approve (by majority of the disinterested members of the Audit Committee) or disapprove of the entry into the Related Party Transaction, subject to the exceptions described below. If a majority of the members of the Audit Committee are interested in the proposed Related Party Transaction, then the transaction must be approved by a majority of the disinterested members of the Board of Directors (excluding directors who are employees of the Company). If advance Committee approval of a Related Party Transaction is not feasible, then the Related Party Transaction shall be considered and, if the Committee determines it to be appropriate, ratified at the Committee's next regularly scheduled meeting. In determining whether to approve or ratify a Related Party Transaction, the Audit Committee will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Party's interest in the transaction.

Under these Policies and Procedures, the Chair of the Audit Committee has the delegated authority to pre-approve or ratify (as applicable) any Related Party Transaction with a Related Party in which the aggregate amount involved is expected to be less than \$120,000. In connection with each regularly scheduled meeting of the Audit Committee, a summary of each new Related Party Transaction deemed preapproved by the Chair in accordance with this paragraph shall be provided to the Committee for its review.

No director shall participate in any discussion or approval of a Related Party Transaction for which he or she is a Related Party, except that the director shall provide all material information concerning the Related Party Transaction to the Audit Committee. If a Related Party Transaction will be ongoing, the Audit Committee may establish guidelines for the Company's management to follow in its ongoing dealings with the Related Party. Thereafter, the Audit Committee, on at least an annual basis, shall review and assess ongoing relationships with the Related Party to see that they are in compliance with the Committee's guidelines and that the Related Party Transaction remains appropriate.

In the event that the Company becomes aware of a Related Party Transaction that has not been previously approved or ratified under these Policies and Procedures, such Related Party Transaction shall be submitted to the Chairperson of the Committee promptly. After review, the Committee, or where the Chairperson is acting pursuant to delegated authority, the Chairperson, shall evaluate all options, including, but not limited to, ratification, amendment or termination of the Related Party Transaction.

### **Definitions**

For purposes of these policies and procedures, the following definitions shall apply:

"Five Percent Shareholder" means any person or entity that is known to be the beneficial owner of more than 5% of any class of the Company's voting securities.

"Immediate Family Member" means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of a director, executive officer or director nominee of the Company or a Five Percent Shareholder, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or Five Percent Shareholder.

"Related Party Transaction" means any transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships in which the Company (or any of its subsidiaries) was, is or will be a participant and in which any Related Party (as defined below) had, has or will have a direct or indirect interest, and the amount is expected to involve at least \$25,000.

"Related Party" means (a) any person who is, or at any time since the beginning of the Company's last fiscal year was, a director or executive officer of the Company or a nominee for director; (b) any Five Percent Shareholder; (c) any Immediate Family Member; or (d) any firm, corporation or other entity (including charitable organizations) in which any of the persons described in clauses (a), (b) and (c) has a position or relationship as an employee, officer, owner, partner, principal or other material position or relationship other than as a (i) director and/or holder (together with all of the Company's directors, nominees for director, executive officers and their Immediate Family Members) of less than a 10% equity interest and (ii) limited partner holding (together with all of the Company's directors, nominees for director, executive officers and their Immediate Family Members) less than a 10% equity interest.

## **Exceptions**

Anything in these Policies and Procedures to the contrary notwithstanding, these Policies and Procedures shall not apply to the following transactions (which transactions shall not be deemed to constitute Related Party Transactions):

(1) any employment relationship or transaction with an executive officer and any related compensation resulting solely from that employment relationship or transaction (other than as provided in the section entitled "Employment of Immediate Family Members") if the compensation resulting from the relationship or transaction is approved (or recommended to the Board of Directors for approval) by the Compensation Committee of the Board of Directors;

(2) compensation paid to directors for services in their capacities as members of the Board of Directors and committees thereof if the compensation is approved by the Board of Directors or the appropriate committee of the Board of Directors;

(3) indebtedness involving any Five Percent Shareholder or Immediate Family Member of a Five Percent Shareholder;

(4) any transaction in which the interest of the Related Party arises solely from the ownership of a class of equity securities of the Company and all holders of that class of equity

securities of the registrant received the same benefit on a pro rata basis (for example, dividends or distributions paid with respect to a class of the Company's securities);

(5) any transaction that occurred at a time before a person or entity became a Related Party if such transaction did not continue after such person or entity became a Related Party; and

(6) any transaction where the rates or charges involved in the transaction are determined by competitive bids.

### **Employment of Immediate Family Members**

No Immediate Family Member shall be hired as an employee of the Company or any subsidiary for a total compensation in excess of \$25,000 per year unless the employment arrangement is approved or ratified by the Committee in accordance with the procedures set forth herein. Thereafter, any material changes in the terms of employment, including compensation, shall be approved or ratified by the Committee in accordance with the procedures set forth herein.

### **Implementation**

The Chief Financial Officer of the Company shall implement practices to identify Related Parties and Related Party Transactions and to provide the Committee (or Chairperson of the Committee, as applicable) information concerning the Related Party Transactions requested by the Committee (or Chairperson of the Committee, as applicable).

### **Disclosure**

All Related Party Transactions that are required to be disclosed in the Company's filings with the Securities and Exchange Commission pursuant to the Securities Act of 1933 and the Securities Exchange Act of 1934 and related rules and regulations, shall be so disclosed in accordance with such laws, rules and regulations. In addition, the material features of these Related Party Transaction Policies and Procedures shall be disclosed in the Company's annual report on Form 10-K or proxy statement, as required by applicable laws, rules and regulations.

### **Administration**

The Audit Committee shall have the authority to interpret these Policies and Procedures and to amend these Policies and Procedures from time to time hereafter as they determine to be appropriate.

Date of Adoption: March 14, 2007

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