2015 ANNUAL REPORT

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IMPROVING OUTCOMES

Improving outcomes with Light Therapy is the focus for Dynatronics' 2016 marketing campaign. An avalanche of research is now available substantiating that adding light therapy to traditional treatment therapies improves outcomes. Many of these research projects utilized Dynatronics' devices.

Dr. J. Stephen Guffey, P.T., Ed., D., Professor of Physical Therapy at Arkansas State University, and his research team explored the use of Light Therapy when added to traditional therapy in the treatment of Plantar Fasciitis. Following the study, Dr. Guffey stated: "Adding Light Therapy to traditional treatment protocols can make a significant difference on both function and pain." Results of Dr. Guffey's study can be seen in a two minute video accessed by scanning the accompanying QR Code.

2015 LETTER TO SHAREHOLDERS

In fiscal year 2015 we opened a new chapter in the story of Dynatronics. This chapter began near the end of fiscal year 2014. After experiencing consecutive years of declining sales in fiscal years 2013 and 2014, management determined it was necessary to take aggressive actions to change the direction of the company.

Over our more than 30 years in business, we have shown an ability to make strategic adjustments to changing market conditions. This began in the 1980s when issues with the FDA prevented the introduction of our original laser product. We adapted by developing the first microprocessor-based electrotherapy and ultrasound equipment in the physical therapy market. In the 1990s our market showed a trend toward consolidation of physical therapy clinics on a regional and national basis. We responded by making acquisitions that allowed us to broaden our product offering and become a more complete supplier to the market. When a large competitor began buying up distribution in our market at the beginning of the new millennium, we responded by securing our distribution channels by acquiring the best dealers and distributors in our market. Recently, faced with changing market conditions related to healthcare reform and recessionary pressures, we felt it was once again time to adapt. But this time the change is much more significant.

During the early part of the fiscal year, we embarked on a strategy to acquire a new, exciting technology with the goal of leveraging our sales force and expanding our presence into the orthopedic market. This acquisition was terminated after the completion of our due diligence revealed insurmountable incompatibilities. However, during that process, we became acquainted with Prettybrook Partners. When we terminated the acquisition, Prettybrook indicated a willingness to consider funding a new growth strategy for Dynatronics.

We are approached almost weekly by firms willing to provide capital to the company … at a cost, of course. While Prettybrook was willing to invest funds, the attraction was far greater than simply receiving an infusion of capital for Dynatronics. The principals of Prettybrook have a proven track record of growth, knowledge of capital markets and clear access to additional capital and deal flow. Months of due diligence and negotiation culminated on June 30, 2015, when we closed on the sale of Series A Preferred Convertible Stock to affiliates of Prettybrook Partners.

That investment in Dynatronics' preferred stock raised $4,025,000 of new capital. The preferred stock was purchased at $2.50 per share and is convertible into common on a one-to-one basis. The stock earns an 8 percent dividend payable in cash or stock. Each share of preferred stock was coupled with a warrant to purchase another 1.5 shares of

common stock at $2.75 per share. The preferred stock also features certain voting rights. The preferred shareholders as a group may appoint up to three members of the company's seven-member board of directors. We believe these were equitable terms to not only help strengthen our company, but more importantly, to link us with new partners who had excellent ideas for strategic growth and a proven record to perform on those strategies.

Stuart Essig, one of Prettybrook's principals, guided Integra Life Sciences from less than $20 million in sales in the late 1990s to more than $928 million in 2014. In that process, he shepherded over 50 acquisitions. He remains chairman of the board of Integra. Erin Enright, the other principal of Prettybrook, spent 10 years as managing director of Equity Capital Markets for Citigroup and many years as an executive of medtech companies. The business experience and credibility of these partners is of much greater value than the financial capital they have supplied.

Our growth strategy is simple. We will utilize the new investment to fund initiatives for the legacy business and pursue opportunities for new growth through mergers and acquisitions ("M&A"). The legacy management team has the vision and ability to execute on organic growth. The new investors, led by Prettybrook, bring the M&A expertise.

This new strategy will not materialize overnight. In the early stages, costs will be incurred to build the platform for growth. M&A activity is unpredictable, but we conservatively anticipate doing an acquisition sometime in calendar year 2016 and closing one acquisition each year thereafter. While there can be no assurance we will hit these targets, they remain the objectives we will work toward.

This is a significant strategic change in the direction of the company. However, it is a change we feel is important not only to preserve, but to assure future growth and enhancement of shareholder value. It helps us break out of the historical trends and provide new interest in the future of the company.

The financial statements presented for fiscal year 2015 reflect the financial outcomes and related disclosures associated with our initial investment in this change in strategic direction.

The nature of the investment by the preferred shareholders created what is known as a "beneficial conversion feature." A beneficial conversion feature arises when the conversion price of a convertible instrument, such as the convertible preferred stock we issued, is less than the per-share trading value of the underlying stock into which it is converted on the date of the transaction. The approximate $2.9 million difference in value was recorded as a non-cash dividend that increased the net loss applicable to common shareholders in fiscal year 2015.

Also, at the end of fiscal year 2015, we decided to write down inventories by $830,000 in addition to the $120,000 we had accrued during the year. These write-downs were taken as a result of changing strategic plans finalized in the fourth quarter of the year associated with the sale of preferred stock, which resulted in some product lines such as the Synergie line, Quad 7 and others being discontinued, de-emphasized or re-evaluated.

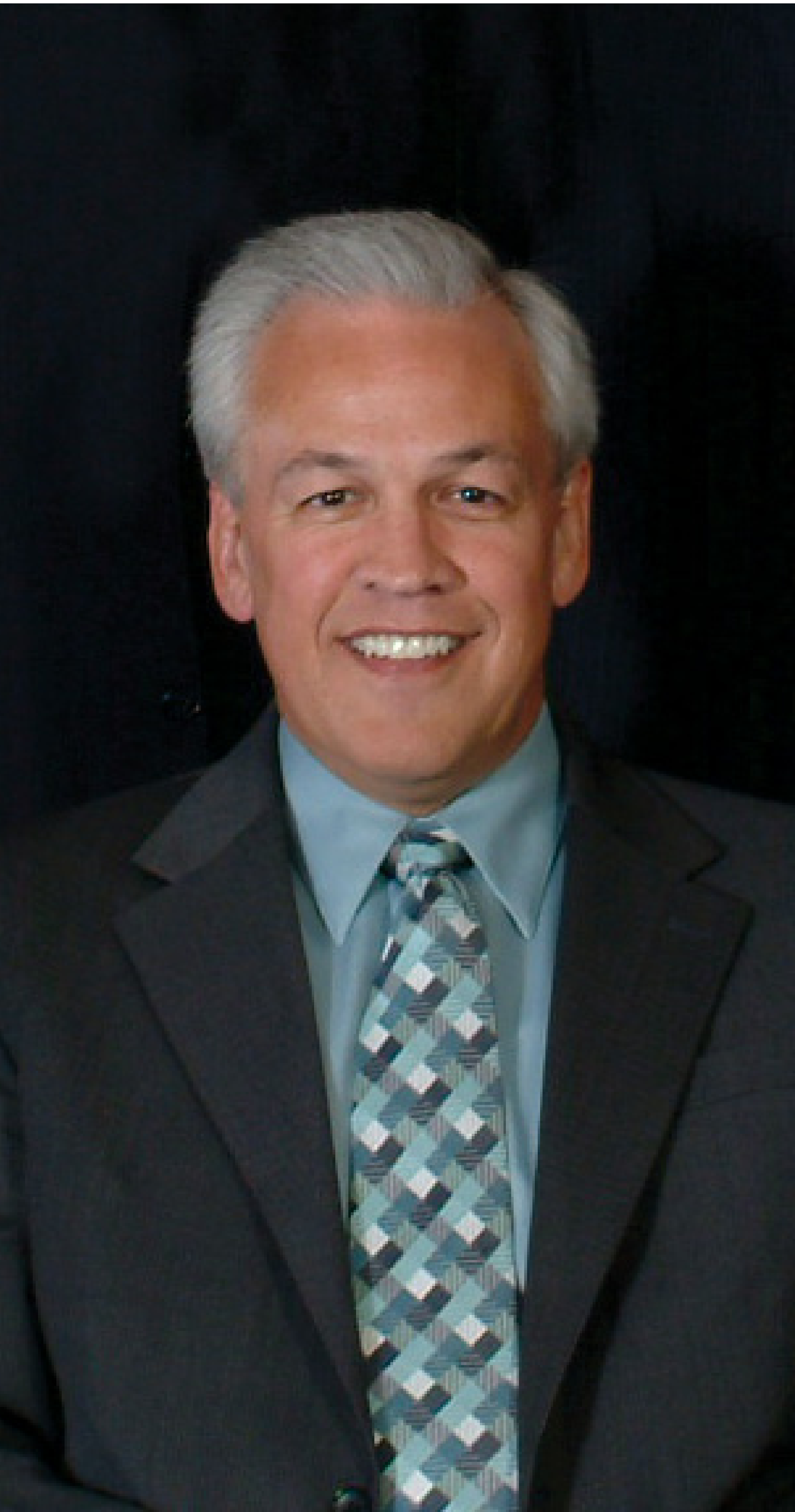
In addition to the "beneficial conversion feature" and the write-down of inventories, our 2015 results were affected by a required valuation allowance against the deferred tax assets recorded during the fourth quarter. Because we had incurred several years of operating losses and a significant loss for the fourth quarter, GAAP deems such losses to be substantial evidence that we may never be able to utilize net operating losses and other tax attributes which had previously been recorded as deferred tax assets. Therefore, in 2015 we recorded a 100 percent reserve (totaling approximately $1.4 million) against all deferred tax assets resulting in approximately $849,000 in a deferred income tax expense. If we achieve profitability in the future, this reserve will be removed and the value of the deferred tax assets will be restored.

Finally, we recorded expenses of approximately $260,000 during the year, associated with the terminated acquisition mentioned earlier.

These extraordinary items contributed to a net loss of $2.3 million and a $5.1 million net loss applicable to common shareholders for fiscal year 2015. It is ironic that such a loss actually bodes well for our future. In reality, when the one-time adjustments are pushed aside, the loss before tax for the year was about $300,000 compared to $400,000 last year. This improvement was due to a 6 percent sales growth in fiscal year 2015 after two consecutive years of 7 percent sales declines.

With the dust of healthcare reform settling, sales improving and new capital investment in the company, we believe we are poised to see new growth that is potentially unprecedented in our history. That growth is made possible by combining our core infrastructure, management, innovative products and sales force with the experience, capital and access to deal flow of Prettybrook Partners. It is an explosive combination that creates significant optimism for our future – a future with many more chapters left to write.

KELVYN H. CULLIMORE, JR.
Chairman, President and CEO



KELVYN H. CULLIMORE, JR.
Chairman, President and CEO

MARKET EXPANSION

Leveraging cutting-edge technology in the field of Light Therapy has given Dynatronics the momentum to expand sales into new markets. Podiatry, Home Health, Long-Term Care, Veterinary, and Cardiac Rehab markets, once thought of as peripheral, are now beginning to play a major role in Dynatronics' market expansion. With public demand increasing for each of these markets in their own right, they are virtually untapped from the perspective of adding Dynatronics' technology to their treatment regimes. Increasing Dynatronics' sales representatives to include experts in these new markets will add to Dynatronics' successful market expansion and subsequent profitability.

INTERNATIONAL EXPANSION

Substantial gains toward increasing 2016 International Sales occurred when Dynatronics Solaris Plus and 25 Series devices were recently awarded the international CE Mark. This mandatory designation opens the sales portal to the 27 countries of the European Union as well as many countries requiring the same rules of conformity, such as the Baltic Nations, Scandinavia, Australia, and New Zealand.

In anticipation of this approval, substantial groundwork was laid, establishing qualified dealers and obtaining additional import permission in countries with organizations similar to the FDA. As a result, Dynatronics stands ready to move forward in 2016 with dealers under contract in the United Kingdom, Portugal and Spain, as well as in Mexico, South America, and Asia. Products are already sold and shipping to these international destinations and the response to Dynatronics' products has been very positive. These relationships should prove profitable to Dynatronics for years to come.

BOARD OF DIRECTORS

Pictured below, in order from left to right

Kelvyn H. Cullimore, Jr.
Chairman, President and CEO

Larry K. Beardall
Executive Vice President of Sales and Marketing

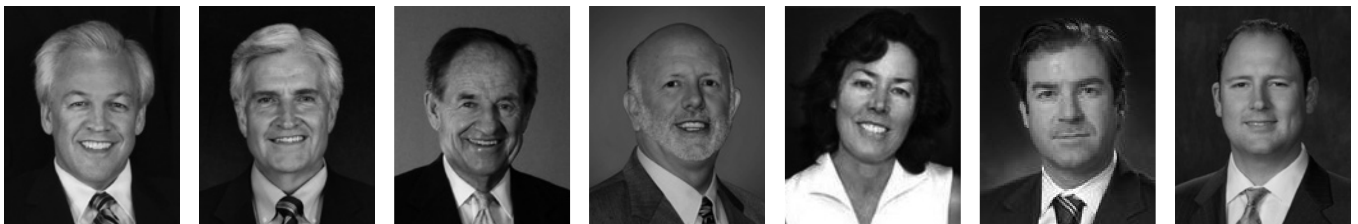
Howard L. Edwards
Former General Attorney for Atlantic Richfield Company

R. Scott Ward, Ph.D.
Chairman of the Department of Physical Therapy at the University of Utah

Erin S. Enright
Managing Partner of Prettybrook Partners, LLC

Brian M. Larkin
Senior Vice President of Acelity LP

Richard J. Linder
President and CEO of CoNextions



MANAGEMENT TEAM

Kelvyn H. Cullimore, Jr.
Chairman, President and CEO

Larry K. Beardall
Executive Vice President of Sales and Marketing

Terry M. Atkinson, CPA
Chief Financial Officer

Robert J. (Bob) Cardon
Vice President of Administration, Secretary/Treasurer

Douglas G. Sampson
Vice President of Production and R&D

Bryan D. Alsop
Vice President of Information Technology

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with our consolidated financial statements and notes to those consolidated financial statements, included elsewhere in our Annual Report on Form 10-K filed with the Securities and Exchange Commision on Sept. 29, 2015. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from our expectations. Factors that could cause or contribute to those differences include, but are not limited to, those identified below and those discussed in the section of the Annual Report entitled "Item 1A. Risk Factors."

OVERVIEW

Our principal business is the manufacturing, distribution and marketing of physical medicine products. We offer a broad line of medical equipment including therapy devices, medical supplies and soft goods, treatment tables and rehabilitation equipment. Our products are sold to and used primarily by physical therapists, chiropractors, sports medicine practitioners, and podiatrists. Our fiscal year ends on June 30. Reference to fiscal year 2015 refers to the year ended June 30, 2015.

RESULTS OF OPERATIONS

Fiscal Year 2015 Compared to Fiscal Year 2014

Net Sales

Net sales in fiscal year 2015 increased $1.7 million or 6.1% to $29.1 million, compared to $27.4 million in fiscal year 2014. Net sales in the fourth quarter of fiscal year 2015 increased $0.9 million or 12% to $7.9 million, compared to $7.1 million in the fourth quarter of 2014. The acceleration in the rate of sales growth throughout fiscal 2015 was driven

by new clinic openings and increased international orders as well as strengthening demand in our core domestic market. Sales of therapeutic modality products (both proprietary and distributed), exercise equipment and treatment tables were the leading growth categories in 2015. The upward trend in sales indicates increased customer confidence in our markets.

Sales of proprietary manufactured physical medicine products represented approximately 46% and 47% of total physical medicine product sales in fiscal years 2015 and 2014, respectively. Distribution of products manufactured by other suppliers accounted for the balance of our physical medicine product sales in those years.

In fiscal years 2015 and 2014, sales of physical medicine products accounted for 91% of total sales in both years. Chargeable repairs, billable freight and a small amount of revenue from products outside of physical medicine accounted for the balance of revenues in both years.

Gross Profit

Gross profit totaled $9.1 million, or 31.1% of net sales, in fiscal year 2015, compared to $10.0 million, or 36.5% of net sales, in fiscal year 2014. We recorded a $952,000 non-cash charge to write off inventory based on strategic decisions made during the fourth quarter to discontinue, re-evaluate or de-emphasize some product lines. These decisions created some obsolescence and slow moving inventory that upon analysis warranted the inventory write off charge. Excluding this charge, gross profit would have been reported as $9.9 million which as a percentage of net sales would have been 34.0%. Increased sales of distributed products, which carry lower-than-average margins, was a primary contributor to the reduced gross profit as a percentage of net sales in 2015 compared to 2014.

Management has developed plans for increasing gross profits by focusing sales on the company's proprietary therapeutic devices. Increasing sales of capital equipment products will be one of the keys to improving gross profit margins going forward.

Selling, General and Administrative Expenses

Selling, general and administrative, or SG&A expenses were $9.2 million, or 31.7% of net sales, in fiscal year 2015, compared to $9.2 million, or 33.6% of net sales, in fiscal year 2014. During fiscal year 2015, approximately $0.3 million in expense was charged, primarily in the second and third quarters, related to a terminated acquisition. This increased expense was offset mostly by lower labor costs during the fiscal year compared to fiscal year 2014.

Research and Development

Research and development, or R&D expenses for 2015 were $0.9 million compared to $1.0 million in 2015. Over the past three years, we have introduced more new products than any previous three-year period in our history. The new product introductions include the SolarisPlus line of electrotherapy/ultrasound/phototherapy units, the Ultra 2 and Ultra 3 motorized treatment tables, the 25 Series line of electrotherapy and ultrasound products, as well as the Dynatron ThermoStim Probe. We believe that developing new products is a key element in our strategy and critical to moving purchasing momentum in a positive direction. R&D costs are expensed as incurred and are expected to remain at current levels in the coming year. R&D expense decreased as a percentage of net sales in fiscal year 2015 to 3.2% from 3.6% of net sales in fiscal year 2014.

Interest Expense

Interest expense increased by $0.1 million, to $0.3 million in fiscal year 2015 compared to $0.2 million in fiscal year 2015, due to a higher interest rate on our line of credit facility and recording imputed interest from the sale/leaseback of our corporate headquarters facility. In August 2014, we sold our Cottonwood Heights facility housing our principal executive offices and manufacturing facilities to an investment group and leased the facility back for a 15-year term. We used the proceeds from this sale to retire the mortgage loan on the property and to pay down our line of credit. Imputed interest related to the lease was $0.2 million in 2015.

Loss Before Income Tax Benefit

Pre-tax loss in fiscal year 2015 was $1.4 million, compared to $0.4 million in fiscal year 2014. The increase in pre-tax loss is due to the $1.0 million non-cash inventory write offand $0.3 million increase in expenses associated with a terminated acquisition, as discussed above. Excluding the inventory charge and terminated acquisition costs, pre-tax loss from operations in 2015 was $0.3 million compared to $0.4 million in 2014.

Income Taxes

Income tax provision was $0.9 million in fiscal year 2015, compared to income tax benefit of $0.1 million in fiscal year 2014. In 2015, we recorded a full valuation allowance of $1.4 million on our net deferred tax assets. As a result of the valuation allowance, we recorded a tax expense for the fiscal year 2015 despite reporting an operating loss making the calculation of an effective tax rate incalculable. Our effective tax benefit rate was 31.7% in 2014. See Note 9

to the consolidated financial statements as well as "Critical Accounting Policies and Estimates – Deferred Income Tax Assets" for more information regarding the valuation allowance and its impact on the effective tax rate for 2015.

Net Loss

Net loss for the year was $2.3 million, compared to $0.3 million for the year ended June 30, 2014. Our 2015 results include a $1.4 million non-cash deferred tax asset valuation allowance, a $1.0 million non-cash inventory write off and $0.3 million increase in expenses associated with a terminated acquisition, as discussed above.

Net Loss Applicable to Common Shareholders

Net loss Applicable to Common Shareholders was $5.1 million for the year, compared to $0.3 million for the year ended June 30, 2014. An effect of the sale of preferred stock announced on June 30, 2015, was the creation of a beneficial conversion feature reflecting the difference between the conversion price of the preferred stock adjusted in compliance with accounting rules and the actual trading price of the common stock on the date of the transaction into which the preferred is convertible. That beneficial conversion feature totaled approximately $2.9 million and is reported as a one-time non-cash dividend during the fourth quarter of fiscal year 2015. In addition, the $1.4 million valuation allowance recorded in fiscal year 2015 increased the net loss and net loss applicable to common shareholders. Exclusive of the effects of the beneficial conversion feature and valuation allowance, net loss per common share in 2015 was $.32 per common share compared to $0.11 per common share in the same quarter last year. Additionally our results include a $1.0 million inventory write off and $0.3 million increase in expenses associated with a terminated acquisition, as discussed above.

NON-GAAP FINANCIAL MEASURES

This annual report on Form 10-k includes the following "non-GAAP financial measures" as defined by the Securities and Exchange Commission: 1) "Excluding this charge, gross profit would have been reported as $9.9 million which as a percentage of net sales would have been 34.0%," 2) "Excluding the inventory adjustment and terminated acquisition costs, pre-tax loss from operations in 2015 was $0.3 million compared to $0.4 million in 2014," and 3) "Exclusive of the effects of the beneficial conversion feature and valuation allowance, net loss per common share in 2015 was $0.32 per common share compared to $0.11 per common share in the same quarter last year." These measures may be different from non-GAAP financial measures used by other companies. The presentation of this financial information is not intended to be considered in isolation of, or as a substitute for, the financial information prepared and presented in accordance with generally accepted accounting principles (GAAP). The reconciliation of these non-GAAP financial measures is included in the Statement of Operations in this report.

LIQUIDITY AND CAPITAL RESOURCES

We have financed operations through cash from operations, available cash reserves, and borrowings under a line of credit facility. Working capital increased by $4.8 million to $8.2 million as of June 30, 2015, inclusive of the current portion of long-term obligations and credit facilities, compared to working capital of $3.3 million as of June 30, 2014. As of June 30, 2015, we had approximately $0.7 million of available credit under a credit facility. The current ratio was 2.5 to 1 as of June 30, 2015 compared to 1.5 to 1 as of June 30, 2014. Current assets were 69.5% of total assets as of June 30, 2015 and 73% of total assets as of June 30, 2014.

Cash and Cash Equivalents

Our cash and cash equivalents position as of June 30, 2015, was $3.9 million, compared to cash and cash equivalents of $0.3 million as of June 30, 2014.

Historically, our cash position varied throughout the year, but typically stayed within a range of $0.2 million to $0.4 million. However, the sale of Preferred Stock to affiliates of Prettybrook partners as explained in this report infused approximately $4,000,000 of cash into our operations. We expect that cash flows from operating activities, together with the cash proceeds from the sale of preferred stock and amounts available through an existing line-of-credit facility, will be sufficient to cover operating needs in the ordinary course of business for at least the next 12 months. If we experience an adverse operating environment, or unusual capital expenditure requirements, additional financing may be required. No assurance can be given that additional financing, if required, would be available on terms favorable to us, or at all.

Accounts Receivable

Trade accounts receivable, net of allowance for doubtful accounts, increased $0.2 million, or 5.7%, to $3.3 million as of June 30, 2015, compared to $3.2 million as of June 30, 2014. Trade accounts receivable represent amounts due from our customers including medical practitioners, clinics, hospitals, colleges and universities and sports teams as well as dealers and distributors that purchase our products for redistribution.

We believe that our estimate of the allowance for doubtful accounts is adequate based on our historical knowledge and relationship with these customers. Accounts receivable are generally collected within 30 days of the agreed terms.

Inventories

Inventories, net of reserves, decreased $0.7 million, or 12.0%, to $5.4 million as of June 30, 2015, compared to $6.2 million as of June 30, 2014. During fiscal year 2015, we recorded a $1.0 million non-cash write off of inventory based on strategic decisions made during the fourth quarter to discontinue, re-evaluate or de-emphasize some product lines. These decisions created some obsolescence and slow moving inventory that upon analysis warranted the write off of inventory. Inventory levels fluctuate based on the timing of large inventory purchases from overseas suppliers.

Accounts Payable

Accounts payable increased $0.1 million, or 3.6%, to $2.5 million as of June 30, 2015, from $2.4 million as of June 30, 2014. We continue to take advantage of available early payment discounts when offered by our vendors.

Line of Credit

In March 2015, we moved the line of credit to a new lender. The outstanding balance on our line of credit decreased $1.6 million to $1.9 million as of June 30, 2015, compared to $3.5 million as of June 30, 2014. This reduction was made possible by the sale and leaseback of our Cottonwood Heights, Utah facility, which generated approximately $2.1 million in net cash to pay down our line of credit. Interest on the new line of credit is based on the prime rate plus 5%. The $3 million line of credit is collateralized by accounts receivable and inventories. Borrowing limitations are based on 85% of eligible accounts receivable and $0.7 million of eligible inventory. The current borrowing base on the new line of credit is approximately $2.6 million. Interest payments on the line are due monthly. All borrowings under the line of credit are presented as current liabilities in the accompanying consolidated balance sheet.

The line of credit matures on March 5, 2016. Management expects to be able to renew this credit facility when it matures with the current lender or another lender. Failure to renew this credit facility could have a material adverse effect on our business operations. The terms of this new credit facility are not as favorable as our bank line of credit had been. The effective interest rate on borrowed money is approximately 10% including interest and origination fees. The infusion of cash from the sale of preferred stock the end of June, 2015, facilitated the line of credit being paid down to its minimum borrowing requirement of approximately $700,000 by the end of July 2015. We believe that amounts available under the new line of credit combined with the cash infused from the sale of preferred stock and cash generated from operating activities will continue to be sufficient to meet our annual operating requirements.

All borrowings under the line of credit are presented as current liabilities in the accompanying consolidated balance sheet.

Debt

Long-term debt, excluding current installments decreased $0.6 million to $0.7 million as of June 30, 2015, compared to $1.3 million as of June 30, 2014. This reduction was achieved through the sale of our Utah facility and the subsequent payoff of the mortgage on that building. The remaining long-term debt is comprised primarily of the mortgage loan on our office and manufacturing facility in Tennessee. The principal balance on the mortgage loan is approximately $0.7 million, of which $0.6 million is classified as long-term debt, with monthly principal and interest payments of $13,278. Our mortgage loan matures in 2021.

As discussed above, in conjunction with the sale and leaseback of our corporate headquarters in August 2014, we entered into a $3.8 million lease for a 15-year term with an investor group. The building lease is recorded as a capital lease with the related amortization being recorded on a straight line basis over 15 years. Lease payments of approximately $27,000 are payable monthly. Total accumulated amortization related to the leased building is $230,939 at June 30, 2015. Future minimum gross lease payments required under the capital lease as of June 30, 2015 are as follows: 2016, $328,384; 2017, $334,950; 2018, $341,648; 2019, $348,478; 2020, $355,450 and $3,607,692 thereafter. Included in the above lease payments is $1,637,238 of imputed interest.

Inflation

Our revenues and net income have not been unusually affected by inflation or price increases for raw materials and parts from vendors.

Stock Repurchase Plans

In 2011, our Board of Directors adopted a stock repurchase plan authorizing repurchases of shares in the open market, through block trades or otherwise. Decisions to repurchase shares under this plan are based upon market conditions, the level of our cash balances, general business opportunities, and other factors. The Board periodically approves the dollar amounts for share repurchases under the plan. As of June 30, 2015, $448,450 remained available under the Board's

authorization for purchases under the plan. There is no expiration date for the plan. No purchases were made under this plan during the fiscal quarter and year ended June 30, 2015 or during the past three fiscal years.

CRITICAL ACCOUNTING POLICIES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires estimates and judgments that affect the reported amounts of our assets, liabilities, net sales and expenses. Management bases estimates on historical experience and other assumptions it believes to be reasonable given the circumstances and evaluates these estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions.

We believe that the following critical accounting policies involve a high degree of judgment and complexity. See Note 1 to our consolidated financial statements for fiscal year 2015, for a complete discussion of our significant accounting policies. The following summary sets forth information regarding significant estimates and judgments used in the preparation of our consolidated financial statements.

Inventory Reserves

The nature of our business requires that we maintain sufficient inventory on hand at all times to meet the requirements of our customers. We record finished goods inventory at the lower of standard cost, which approximates actual cost (first-in, first-out) or market. Raw materials are recorded at the lower of cost (first-in, first-out) or market. Inventory valuation reserves are maintained for the estimated impairment of the inventory. Impairment may be a result of slow-moving or excess inventory, product obsolescence or changes in the valuation of the inventory. In determining the adequacy of reserves, we analyze the following, among other things:

- Current inventory quantities on hand;
- Product acceptance in the marketplace;
- Customer demand;
- Historical sales;
- Forecast sales;
- Product obsolescence;
- Strategic marketing and production plans
- Technological innovations; and
- Character of the inventory as a distributed item, finished manufactured item or raw material.

Any modifications to estimates of inventory valuation reserves are reflected in cost of goods sold within the statements of operations during the period in which such modifications are determined necessary by management. As of June 30, 2015 and 2014, our inventory valuation reserve balance, which established a new cost basis, was $0.4 million and $0.3 million, respectively, and our inventory balance was $5.4 million and $6.2 million, net of reserves, respectively.

During fiscal year 2015, we recorded a $1.0 million non-cash write off of inventory based on strategic decisions made during the fourth quarter to discontinue, re-evaluate or de-emphasize some product lines. These decisions created some obsolescence and slow moving inventory that upon analysis warranted the write off of inventory.

Revenue Recognition

Our sales force and distributors sell our products to end users, including physical therapists, professional trainers, athletic trainers, chiropractors, and medical doctors. Sales revenues are recorded when products are shipped FOB shipping point under an agreement with a customer, risk of loss and title have passed to the customer, and collection of any resulting receivable is reasonably assured. Amounts billed for shipping and handling of products are recorded as sales revenue. Costs for shipping and handling of products to customers are recorded as cost of sales.

Allowance for Doubtful Accounts

We must make estimates of the collectability of accounts receivable. In doing so, we analyze historical bad debt trends, customer credit worthiness, current economic trends and changes in customer payment patterns when evaluating the adequacy of the allowance for doubtful accounts. Our accounts receivable balance was $3.3 million and $3.2 million, net of allowance for doubtful accounts of $0.4 million and $0.3 million, as of June 30, 2015 and 2014, respectively.

Deferred Income Tax Assets

A valuation allowance is required when there is significant uncertainty as to the realizability of deferred tax assets. The ability to realize deferred tax assets is dependent upon our ability to generate sufficient taxable income within the carryforward periods provided for in the tax law for each tax jurisdiction. We have considered the following possible sources of taxable income when assessing the realization of our deferred tax assets:

- Future reversals of existing taxable temporary differences;
- Future taxable income or loss, exclusive of reversing

- temporary differences and carryforwards;
- Tax-planning strategies; and
- Taxable income in prior carryback years.

We considered both positive and negative evidence in determining the continued need for a valuation allowance, including the following:

Positive evidence:

- Current forecasts indicate that we will generate pre-tax income and taxable income in the future. However, there can be no assurance that the new strategic plans will result in profitability.
- A majority of our tax attributes have indefinite carryover periods.

Negative evidence:

- We have several years of cumulative losses as of June 30, 2015.

We place more weight on objectively verifiable evidence than on other types of evidence and management currently believes that available negative evidence outweighs the available positive evidence. We have therefore determined that we do not meet the "more likely than not" threshold that deferred tax assets will be realized. Accordingly, a valuation allowance is required. Any reversal of the valuation allowance will favorably impact the Company's results of operations in the period of reversal.

At June 30, 2015, we recorded a full valuation allowance against our deferred tax assets and no valuation allowance at June 30, 2014.

We had available at June 30, 2014, estimated federal and state net operating loss ("NOL") carry forwards of $745,605, which were used for federal and state income tax purposes to offset the gain on the sale leaseback transaction involving our Utah facility in August 2014(see Note 8).

The Company's federal and state income tax returns for June 30, 2012, 2013 and 2014 are open tax years.

BUSINESS PLAN AND OUTLOOK

On June 30, 2015, we completed a private placement of convertible preferred stock for gross proceeds of approximately $4.0 million. The investors in the private placement were affiliates of Prettybrook Partners, LLC. Combining the solid corporate infrastructure we have built over the last three decades with the business acumen, access to capital and access to deal flow provided by Prettybrook will allow Dynatronics to not only strengthen the legacy business, but also to position the company for growth through strategic acquisitions.

In July 2015, we received the CE Mark approval for our SolarisPlus and "25 Series" therapeutic modality products. This approval allows us to sell these products in Europe and many other countries around the world. Over the past several years, we have increased our emphasis on international sales. During the fiscal year we also received clearance for these same products in Japan. Efforts are currently underway to obtain approvals in Mexico, China, Peru, and other Southeast Asian countries. With the CE Mark in hand, we can further expand throughout Europe and into areas of the world that recognize and require this distinguished mark of quality. As a result, we expect international sales growth to accelerate as we extend our geographical reach and become a provider of these products on a global basis.

In the last three years we have released more new and innovative products than during any other similar period in our history. The introduction of the Solaris Plus family of combination electrotherapy/ultrasound/phototherapy units, the 25 Series combination electrotherapy/ultrasound units, the line of Ultra treatment tables, and the ThermoStim probe (an accessory to the Solaris Plus family of products) make up most of these innovative new products.

The introduction of these products has been a major strategic component of attracting new sales representatives and dealers in order to expand our distribution across North America and into international territories. Adding these new sales reps and dealers along with liberalizing policies of who can sell our proprietary products is part of our strategic plan for expanding our distribution reach and strengthening sales.

Our efforts in past years to prudently reduce costs in the face of some economic uncertainty made us a leaner operation. Over the past two fiscal years, we implemented approximately $1.6 million in annualized expense reductions. We will continue to be vigilant in maintaining appropriate overhead costs and operating costs while still providing support for sales from our new products and supporting new initiatives for growth.

Based on our defined strategic initiatives, we are focusing our resources in the following areas:

- Exploring strategic business acquisitions using the capital infusion from the sale of preferred stock. This will leverage and complement our competitive strengths, increase market reach and allow us to potentially expand into broader medical markets.

- Improving gross profit margins by, among other initiatives, increasing market share of manufactured capital products by promoting sales of our state-of-the-art Dynatron ThermoStim probe, SolarisPlus and 25 Series products.
- Seeking to improve distribution of our products through recruitment of additional qualified sales representatives and dealers attracted by the many new products being offered and expanding the availability of proprietary combination therapy devices.
- Increasing international sales by 1) leveraging the CE Mark approval in Europe and other countries by identifying appropriate distributors for the approved products, 2) Finalizing regulatory approvals in countries such as China, Mexico, Peru and other countries in Southeast Asia, and 3) further developing relationships with existing distributors in countries such as Japan in order to increase sales in those countries where products are approved.
- Continuing to seek ways of increasing business with regional and national accounts including group purchasing organizations, national accounts and the U.S. Government.
- Strengthening pricing management and procurement methodologies.
- Updating and improving our selling and marketing efforts including electronic commerce options, as well as developing better tools for our sales force to improve their efficiency.

Market Information

As of September 18, 2015, we had approximately 2,643,583 shares of common stock issued and outstanding. Our common stock is included on the NASDAQ Capital Market (symbol: DYNT). The following table shows the range of high and low sales prices for our common stock as quoted on the NASDAQ system for the quarterly periods indicated.

Fiscal Year Ended June 30:	*2015*		*2014*	
	High	Low	High	Low
1st Quarter Jul-Sep	$5.00	$3.69	$7.94	$2.33
2nd Quarter Oct-Dec	$5.76	$3.34	$4.85	$2.74
3rd Quarter Jan-Mar	$3.89	$2.78	$5.57	$2.94
4th Quarter Apr-Jun	$3.51	$2.70	$4.44	$2.86

Stockholders

As of September 18, 2015, the approximate number of shareholders of record was 383. This number does not include beneficial owners of shares held in “nominee” or “street” name. Including such beneficial owners, we estimate that there are a total of 2,200 beneficial owners of our common stock.

Dividends

We currently have approximately 1.6 million of Series A preferred stock outstanding. Dividends payable on these shares accrue at the rate of 8% per year and are payable quarterly in stock or cash.

We have never paid cash dividends on our common stock. Our anticipated capital requirements are such that we intend to follow a policy of retaining earnings, if any, in order to finance the development of the business.

Purchases of Equity Securities

In February 2011, the Board of Directors approved $1,000,000 for open market share repurchases of the Company’s common stock. Approximately $0.5 million remained on this authorization as of June 30, 2015. We did not purchase any shares of common stock during the fiscal quarter or the year ended June 30, 2015 or in the prior three fiscal years.

Preferred Stock

On June 30, 2015, we completed a private placement with affiliates of Prettybrook Partners, LLC (“Prettybrook”) and certain other purchasers (collectively with Prettybrook, the “Preferred Investors”) for the offer and sale of shares of our Series A 8% Convertible Preferred Stock (the “Series A Preferred”) in the aggregate amount of approximately $4 million. The Preferred Investors purchased a total of 1,610,000 shares of Series A Preferred Stock, and received in connection with such purchase, (i) A-Warrants, exercisable by cash exercise only, to purchase 1,207,500 shares of our common stock, and (ii) B-Warrants, exercisable by “cashless exercise”, to purchase 1,207,500 shares of our common stock. Proceeds from this private placement will be used to promote organic growth through expansion of the Company’s sales distribution channels both domestically and internationally, improve our infrastructure and operating systems, and support strategic acquisition opportunities.

The Series A Preferred includes a conversion right at a price that creates an embedded beneficial conversion feature. A beneficial conversion feature arises when the conversion price of a convertible instrument is below the per share fair value of the underlying stock into which it is convertible. The conversion price is ‘in the money’ and the holder realizes

a benefit to the extent of the price difference. The issuer of the convertible instrument realizes a cost based on the theory that the intrinsic value of the price difference (i.e., the price difference times the number of shares received upon conversion) represents an additional financing cost. The conversion rights associated with the Series A Preferred do not have a stated life and, therefore, all of the beneficial conversion feature amount of $2,858,887 was amortized to dividends on the same date the preferred shares were issued. The $2,858,887 dividend is added to the net loss to arrive at the net loss applicable to common stockholders for purposes of calculating loss per share for the year ended June 30, 2015.

On July 1, 2015, we filed a Current Report on Form 8-K to disclose this transaction. Additional details regarding the transaction, as well as the transaction documents, are included in the Current Report.

BOARD OF DIRECTORS AND STOCKHOLDERS OF DYNATRONICS CORPORATION AND SUBSIDIARY

We have audited the accompanying consolidated balance sheets of Dynatronics Corporation and subsidiary as of June 30, 2015 and 2014 and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dynatronics Corporation as of June 30, 2015 and 2014, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Mantyla McReynolds, LLC
Salt Lake City, Utah
September 28, 2015

Balance Sheets

Years ended June 30:		*2015*	*2014*
Assets			
Current assets:			
Cash and cash equivalents	$	3,925,967	332,800
Trade accounts receivable, less allowance for doubtful accounts of $417,444 and $325,355 as of June 30, 2015 and 2014 respectively		3,346,770	3,165,396
Other receivables		6,748	15,594
Inventories, net		5,421,787	6,157,848
Prepaid expenses and other assets		273,629	298,370
Prepaid income taxes		338,108	—
Current portion of deferred income tax assets		—	408,919
Total current assets		13,313,009	10,378,927
Property and equipment, net		5,025,076	2,980,677
Intangible asset, net		190,803	235,440
Other assets		623,342	396,456
Deferred income tax assets, net of current portion		—	303,644
Total assets	$	**19,152,230**	**14,295,144**
Liabilities and Stockholders' Equity			
Current liabilities:			
Current portion of long-term debt	$	121,884	302,274
Current portion of capital lease		173,357	—
Current portion of deferred gain		150,448	—
Line of credit		1,909,919	3,521,209
Warranty reserve		153,185	157,753
Accounts payable		2,520,327	2,433,534
Accrued expenses		279,547	342,716
Accrued payroll and benefits expenses		263,092	243,394
Income tax payable		—	30,452
Total current liabilities		5,571,759	7,031,332
Long-term debt, net of current portion		651,118	1,255,133
Capital lease, net of current portion		3,464,850	—
Deferred gain, net of current portion		1,980,897	—
Deferred rent		41,150	—
Deferred income tax liabilities		136,128	—
Total liabilities		11,845,902	8,286,465
Commitments and contingencies			
Stockholders' equity:			
"Preferred stock, no par value: Authorized 5,000,000 shares; 1,610,000 shares issued and outstanding at June 30, 2015"		3,087,554	—
"Common stock, no par value: Authorized 50,000,000 shares; 2,642,389 shares and 2,520,389 shares issued and outstanding at June 30, 2015 and 2014, respectively"		7,610,244	7,149,812
Accumulated deficit		(3,391,470)	(1,141,133)
Total stockholders' equity		7,306,328	6,008,679
Total liabilities and stockholders' equity	$	**19,152,230**	**14,295,144**

See accompanying notes to consolidated financial statements.

Statements of Operations

Years ended June 30:		*2015*	*2014*
Net sales	$	29,117,528	27,444,223
Cost of sales		20,048,069	17,423,851
Gross profit		9,069,459	10,020,372
Selling, general, and administrative expenses		9,229,405	9,213,433
Research and development expenses		926,954	992,729
Operating loss		(1,086,900)	(185,790)
Other Income (expense):			
Interest income		4,920	44
Interest expense		(330,842)	(231,865)
Other income, net		13,577	20,446
Total other income (expense)		(312,345)	(211,375)
Loss before income tax benefit		(1,399,245)	(397,165)
Income tax benefit		(851,092)	126,023
Net loss	$	**(2,250,337)**	**(271,142)**
Deemed dividend on 8% convertible preferred stock		(2,858,887)	—
8% Convertible preferred stock dividend		(882)	—
Net loss applicable to common stockholders		(5,110,106)	(271,142)
Basic and diluted net loss per common share	$	(2.03)	(0.11)
Weighted-average basic and diluted common shares outstanding:		2,520,723	2,519,490

See accompanying notes to consolidated financial statements.

Statements of Stockholders' Equity

Years ended June 30, 2015 and 2014	*Common Stock Shares*	*Common Stock Amount*	*Preferred Stock Shares*	*Preferred Stock Amount*	*Accumulated Deficit*	*Total Stockholders' Equity*
Balances as of July 1, 2013	2,518,904	$ 7,078,941	—	$ —	(869,991)	$ 6,208,949
Shares issued due to stock split rounding	1,485	70,871	—	—	—	70,871
Net loss	—	—	—	—	(271,142)	(271,142)
Balances at June 30, 2014	2,520,389	7,149,812	—	—	(1,141,133)	6,008,679
Stock-based compensation	—	66,372	—	—	—	66,372
Issuance of common stock in association with capital raise	122,000	394,060	—	—	—	394,060
Issuance of preferred stock and warrants, net of issuance costs	—	—	1,610,000	3,088,436	—	3,088,436
Preferred stock dividend	—	—		(882)	—	(882)
Preferred stock beneficial conversion feature				2,858,887		2,858,887
Dividend of beneficial conversion feature				(2,858,887)		(2,858,887)
Net loss	—	—	—	—	(2,250,337)	(2,250,337)
Balances as of June 30, 2015	**2,642,389**	**7,610,244**	**1,610,000**	**3,087,554**	**(3,391,470)**	**7,306,328**

**Reflects adjusted shares due to 1:5 reverse stock split effective December 19, 2012*

See accompanying notes to consolidated financial statements.

Statements of Cash Flows

Years ended June 30:		*2015*	*2014*
Cash flows from operating activities:			
Net loss	$	(2,250,337)	(271,142)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization of property and equipment		350,959	433,014
Amortization of intangible assets		44,637	96,529
Amortization of other assets		51,372	51,372
Amortization of building lease		230,939	—
Stock-based compensation expense		66,372	70,871
Change in deferred income taxes		848,691	(126,021)
Change in provision for doubtful accounts receivable		92,089	96,000
Change in provision for inventory obsolescence		23,190	120,000
Deferred gain on sale/leaseback		(137,910)	—
Change in operating assets and liabilities:			
Receivables, net		(264,617)	(3,081)
Inventories, net		712,871	129,705
Prepaid expenses and other assets		(265,968)	216,324
Other assets		(278,258)	—
Prepaid income taxes		—	20,248
Income tax payable		(368,560)	—
Accounts payable and accrued expenses		79,022	(327,297)
Net cash provided by (used in) operating activities		(1,065,508)	506,522
Cash flows from investing activities:			
Purchase of property and equipment		(66,333)	(176,958)
Proceeds from sale of property and equipment		3,800,000	—
Net cash used by (used in) investing activities		3,733,667	(176,958)
Cash flows from financing activities:			
Principal payments on long-term debt		(784,405)	(323,633)
Principal payments on long-term capital lease		(161,793)	—
Net change in line of credit		(1,611,290)	24,819
Proceeds from issuance of preferred stock		3,482,496	—
Net cash provided by (used in) financing activities		925,008	(298,814)
Net change in cash and cash equivalents		3,593,167	30,750
Cash and cash equivalents at beginning of the year		332,800	302,050
Cash and cash equivalents at end of the year		**3,925,967**	**332,800**
Supplemental disclosures of cash flow information:			
Cash paid for interest		324,314	232,571
Cash paid for income taxes		356,151	—
Supplemental disclosures of non-cash flow investing and financing activities:			
Capital lease - building		3,800,000	—
Deemed dividend on 8% convertible preferred stock		2,858,887	—
Preferred stock issuance costs paid in common stock		394,060	—

See accompanying notes to consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Description of Business

Dynatronics Corporation (the Company), a Utah corporation, distributes and markets a broad line of medical products, many of which are designed and manufactured by the Company. Among the products offered by the Company are therapeutic, diagnostic, and rehabilitation equipment, medical supplies and soft goods and treatment tables to an expanding market of physical therapists, podiatrists, orthopedists, chiropractors, and other medical professionals.

(b) Principles of Consolidation

The consolidated financial statements include the accounts and operations of Dynatronics Corporation and its wholly owned subsidiary, Dynatronics Distribution Company, LLC. The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). All significant intercompany account balances and transactions have been eliminated in consolidation.

(c) Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included within cash equivalents are deposits in-transit from banks for payments related to third-party credit card and debit card transactions.

(d) Inventories

Finished goods inventories are stated at the lower of standard cost (first-in, first-out method), which approximates actual cost, or market. Raw materials are stated at the lower of

cost (first in, first out method) or market. The Company periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory based on its assessment of slow moving or obsolete inventory. Write-downs and write-offs are charged against the reserve.

(e) Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest, although a finance charge may be applied to such receivables that are past the due date. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on a combination of statistical analysis, historical collections, customers' current credit worthiness, the age of the receivable balance both individually and in the aggregate and general economic conditions that may affect the customer's ability to pay. All account balances are reviewed on an individual basis. Account balances are charged off against the allowance when the potential for recovery is considered remote. Recoveries of receivables previously charged off are recognized when payment is received.

(f) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight line method over the estimated useful lives of the assets. Buildings and their component parts are being depreciated over their estimated useful lives that range from 5 to 31.5 years. Estimated lives for all other depreciable assets range from 3 to 7 years.

(g) Long-Lived Assets

Long–lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the difference between the carrying amount of the asset and the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

(h) Intangible Assets

Costs associated with the acquisition of trademarks, trade names, license rights and non-compete agreements are capitalized and amortized using the straight-line method over periods ranging from 3 months to 20 years.

(i) Revenue Recognition

The Company recognizes revenue when products are shipped FOB shipping point under an agreement with a customer, risk of loss and title have passed to the customer, and collection of any resulting receivable is reasonably assured. Amounts billed for shipping and handling of products are recorded as sales revenue. Costs for shipping and handling of products to customers are recorded as cost of sales.

(j) Research and Development Costs

Direct research and development costs are expensed as incurred.

(k) Product Warranty Costs

Costs estimated to be incurred in connection with the Company's product warranty programs are charged to expense as products are sold based on historical warranty rates.

(l) Net Income (Loss) per Common Share

Net loss per common share is computed based on the weighted-average number of common shares outstanding and, when appropriate, dilutive common stock equivalents outstanding during the year. Convertible preferred stock and stock options and warrants are considered to be common stock equivalents. The computation of diluted net loss per common share does not assume exercise or conversion of securities that would have an anti-dilutive effect.

Basic net loss per common share is the amount of net loss for the year available to each weighted-average share of common stock outstanding during the year. Diluted net loss per common share is the amount of net loss for the year available to each weighted-average share of common stock outstanding during the year and to each common stock equivalent outstanding during the year, unless inclusion of common stock equivalents would have an anti-dilutive effect.

The reconciliation between the basic and diluted weighted-average number of common shares for the years ended June 30, 2015 and 2014, is summarized as follows:

	2015	2014
Basic weighted-average number of common shares outstanding during the year	2,520,723	2,519,490
Weighted-average number of dilutive common stock equivalents outstanding during the year	—	—
Diluted weighted-average number of common and common equivalent shares outstanding during the year	2,520,723	2,519,490

Outstanding common stock equivalents not included in the computation of diluted net loss per common share totaled 4,105,290 as of June 30, 2015 and 145,987 as of June 30, 2014. These common stock equivalents were not included in the computation because to do so would have been antidilutive.

(m) Income Taxes

The Company recognizes an asset or liability for the deferred income tax consequences of all temporary differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements that will result in taxable or deductible amounts in future years when the reported amounts of the assets and liabilities are recovered or settled. Accounting standards require the consideration of a valuation allowance for deferred tax assets if it is "more likely than not" that some component or all of the benefits of deferred tax assets will not be realized. Accruals for uncertain tax positions are provided for in accordance with the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, Income Taxes. Under ASC 740-10, the Company may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC 740-10 also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and income tax disclosures. Judgment is required in assessing the future tax consequences of events that have been recognized in the financial statements or tax returns. Variations in the actual outcome of these future tax consequences could materially impact the Company's financial position, results of operations and cash flows. The Company evaluates the need for a valuation allowance on deferred taxes on a quarterly and annual base. This evaluation considers the level of historical taxable income and projections for future taxable income over the periods which the deferred income tax assets are deductible. If management determines that it is more likely than not that the Company will not realize the benefits of these deductible differences, a valuation allowance is recorded.

(n) Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with FASB ASC 718, Stock Compensation. Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the applicable vesting period of the stock award (generally five years) using the straight-line method.

(o) Concentration of Risk

In the normal course of business, the Company provides unsecured credit to its customers. Most of the Company's customers are involved in the medical industry. The Company performs ongoing credit evaluations of its customers and maintains allowances for probable losses which, when realized, have been within the range of management's expectations. The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company believes it is not exposed to any significant credit risks with respect to cash or cash equivalents.

As of June 30, 2015, the Company has approximately $3,675,950 in cash and cash equivalents in excess of the FDIC limits. The Company has not experienced any losses in such accounts.

(p) Operating Segments

The Company operates in one line of business: the development, marketing, and distribution of a broad line of medical products for the physical therapy markets. As such, the Company has only one reportable operating segment.

Physical medicine products made up 91% of net sales for both the years ended June 30, 2015 and 2014. Chargeable repairs, billable freight and other miscellaneous revenues account for the remaining 9% of net sales for both the years ended June 30, 2015 and 2014.

(q) Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in accordance with US GAAP. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment; valuation allowances for receivables, income taxes, and inventories; accrued product warranty costs; and estimated recoverability of intangible assets. Actual results could differ from those estimates.

(r) Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2015 and 2014 was approximately $93,700 and $111,900, respectively.

(2) INVENTORIES

Inventories consist of the following as of June 30:

		2015	*2014*
Raw materials	$	2,086,411	2,783,306
Finished goods		3,693,921	3,709,897
Inventory reserve		(358,545)	(335,355)
	$	**5,421,787**	**6,157,848**

Included in cost of goods sold for the years ended June 30, 2015 and 2014, is a write off of slow moving and obsolete inventory totaling $952,212 and $120,000, respectively. The $952,212 non-cash charge reflects a write off of inventory related to strategic decisions made during the fourth quarter resulting in some product lines being discontinued, re-evaluated or de-emphasized. These decisions created additional obsolescence that upon analysis warranted the inventory write off.

(3) PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

		2015	*2014*
Land	$	30,287	354,743
Buildings		5,586,777	3,758,524
Machinery and equipment		1,635,386	1,598,770
Office equipment		273,420	266,563
Computer equipment		1,984,046	1,980,746
Vehicles		247,571	236,987
		9,757,487	8,196,333
Less accumulated depreciation and amortization		(4,732,411)	(5,215,656)
	$	**5,025,076**	**2,980,677**

Included in "Buildings" at June 30, 2015 are assets held under a capital lease obligation totaling $3,800,000 (gross) and $3,569,061 (net). There was no capital lease as of June 30, 2014. Depreciation and amortization expense for the years ended June 30, 2015 and 2014 was $350,959 and $433,686, respectively.

(4) INTANGIBLE ASSETS

Identifiable intangible assets and their useful lives consist of the following as of June 30:

		2015	*2014*
Trade name—15 years	$	339,400	339,400
Domain name—15 years		5,400	5,400
Non-compete covenant —4 years		149,400	149,400
Customer relationships —7 years		120,000	120,000
Trademark licensing agreement—20 years		45,000	45,000
Backlog of orders —3 months		2,700	2,700
Customer database —7 years		38,100	38,100
License agreement —10 years		—	73,240
Total identifiable intangibles		700,000	773,240
Less accumulated amortization		(509,197)	(537,800)
Net carrying amount	$	**190,803**	**235,440**

Amortization expense associated with the intangible assets was $44,637 and $96,529 for the fiscal years ended June 30, 2015 and 2014, respectively. Estimated amortization

expense for the identifiable intangibles is expected to be as follows: 2016, $30,680; 2017, $30,680; 2018, $26,430; 2019, $26,430; 2020, $26,430 and thereafter $50,153.

(5) WARRANTY RESERVE

A reconciliation of the change in the warranty reserve consists of the following for the fiscal years ended June 30:

		2015	*2014*
Beginning warranty reserve balance	$	157,753	178,148
Warranty repairs		(145,698)	(141,471)
Warranties issued		145,267	153,648
Changes in estimated warranty costs		(4,137)	(32,572)
Ending warranty reserve	$	**153,185**	**157,753**

(6) LINE OF CREDIT

Until March 2015, the Company maintained a line of credit with a bank. In March 2015, the Company moved the line of credit to a new lender. Interest on the new line of credit is based on the prime rate plus 5%, with a minimum rate of 8.25%. At June 30, 2015 the rate was 8.25%. Payments are due monthly, with minimum monthly interest of $5,000. The borrowing base on the new line of credit is approximately $2,600,000 and is collateralized by accounts receivable and inventory. Borrowing limitations under the new line of credit are based on 85% of eligible accounts receivable and $700,000 of eligible inventory, up to a maximum credit facility of $3,000,000. The new line of credit matures on March 5, 2016. The line of credit has no negative loan covenants, however, there are affirmative covenants to provide accounts receivable ageing and financial statements within 90 days of month end and are in compliance with these covenants.

The outstanding balance on the line of credit decreased $1,611,290 to $1,909,919 as of June 30, 2015, compared to $3,521,209 as of June 30, 2014. This reduction was primarily made possible by the sale and leaseback of the Company's Utah facility which provided approximately $2,100,000 in net cash to pay down the line of credit (see Note 8).

(7) LONG TERM DEBT

Long term debt consists of the following as of June 30:

		2015	*2014*
6.44% promissory note secured by trust deed on real property, maturing January 2021, payable in monthly installments of $13,278	$	745,562	853,090
5.235% promissory note secured by building, maturing December 2017, payable in monthly installments of $16,985		—	644,962
Promissory note secured by a vehicle, payable in monthly installments of $639 through February 2019		27,168	33,913
8.49% promissory note secured by equipment, payable in monthly installments of $2,097 through December 2014		—	12,279
5.887% promissory note secured by a vehicle, payable in monthly installments of $390 through March 2017		—	12,140
13.001% promissory note secured by equipment, payable in monthly installments of $70 through October 2015		272	1,023
		773,002	1,557,407
Less accumulated amortization		(121,884)	(302,274)
	$	**651,118**	**1,255,133**

The aggregate maturities of long term debt for each of the years subsequent to June 30, 2015 are as follows: 2016, $121,884; 2017, $129,428; 2018, $137,756; 2019, $144,707; 2020, $148,249 and thereafter $90,978.

(8) LEASES

Operating Leases

The Company leases vehicles under noncancelable operating lease agreements. Lease expense for the years ended June 30, 2015 and 2014, was $16,106 and $16,106, respectively. Future minimum lease payments required under noncancelable operating leases that have initial or remaining lease terms in excess of one year as of 2015 is as follows: 2016, $7,403.

The Company rents office, warehouse and storage space and office equipment under agreements which run one year

or more in duration. The rent expense for the years ended June 30, 2015 and 2014 was $188,498 and $203,361, respectively. Future minimum rental payments required under operating leases that have a duration of one year or more as of June 30, 2015 are as follows: 2016, $84,777; 2017, $54,852; 2018, $5,088 and 2019, $2,544.

During fiscal year 2015, the office and warehouse spaces in Detroit, Michigan and Hopkins, Minnesota were leased on an annual/monthly basis from employees/stockholders; or entities controlled by stockholders, who were previously principals of the dealers acquired in July 2007. The leases are related-party transactions with two employee/stockholders, however, management believes the lease agreements have been conducted on an arms-length basis and the terms are similar to those that would be available to other third parties. The expense associated with these related-party transactions totaled $70,800 and $52,200 expense for the fiscal years ended June 30, 2015 and 2014, respectively.

Capital Leases

On August 8, 2014, the Company sold the building that houses its operations in Utah and leased back the premises for a term of 15 years. The sale price was $3.8 million. Proceeds from the sale were primarily used to reduce debt obligations of the Company. The sale of the building resulted in a $2,269,255 gain, which is recorded in the consolidated balance sheet as deferred gain and will be recognized in Selling, general and administrative expense over the 15 year life of the lease.

The building lease is recorded as a capital lease with the related amortization being recorded on a straight line basis over 15 years. Total accumulated amortization related to the leased building is $230,939 at June 30, 2015. Future minimum gross lease payments required under the capital lease as of June 30, 2015 are as follows: 2016, $328,384; 2017, $334,950; 2018, $341,648; 2019, $348,478; 2020, $355,450 and $3,607,692 thereafter. Included in the above lease payments is $1,637,238 of imputed interest.

(9) INCOME TAXES

Income tax benefit (provision) for the ears ended June 30 consists of:

		Current	Deferred	Total
2015:				
U.S. federal	$	(16,981)	(678,953)	(695,934)
State and Local		14,580	(169,738)	(155,158)
	$	(2,401)	**(848,691)**	**(851,092)**
2014:		*Current*	*Deferred*	*Total*
U.S. federal	$	—	107,439	107,439
State and Local		—	18,584	18,584
	$	—	**126,023**	**126,023**

The actual income tax benefit (provision) differs from the "expected" tax benefit (provision) computed by applying the U.S. federal corporate income tax rate of 34% to income (loss) before income taxes for the years ended June 30, are as follows:

		2015	2014
Expected tax benefit (provision)	$	475,743	135,036
State taxes, net of federal tax benefit		58,661	12,265
R&D tax credit		28,916	—
Valuation allowance		(1,447,247)	—
Incentive stock options		(3,322)	(4,852)
Other, net		36,157	(16,426)
	$	**(851,092)**	**126,023**

Deferred income tax assets and liabilities related to the tax effects of temporary differences are as follow as of June 30:

		2015	*2014*
Net deferred income tax assets – current:			
Inventory capitalization for income tax purposes	$	67,324	68,748
Inventory reserve		139,832	130,788
Warranty reserve		59,742	61,524
Accrued product liability		9,918	20,970
Allowance for doubtful accounts		162,803	126,889
Warranty reserve		(439,619)	—
Total deferred income tax assets – current	$	—	**408,919**

		2015	*2014*
Net deferred income tax assets (liabilities) – non-current:			
Property and equipment, principally due to differences in depreciation	$	(67,158)	(255,835)
Research and development credit carryover		133,393	370,757
Other intangibles		(68,970)	(91,822)
Deferred gain on sale lease back		874,235	—
Operating loss carry forwards		—	280,544
Valuation allowance		(1,007,628)	—
Total deferred income tax assets (liabilities) – non-current	$	**(136,128)**	**303,644**

A valuation allowance is required when there is significant uncertainty as to the realizability of deferred tax assets. The ability to realize deferred tax assets is dependent upon the Company's ability to generate sufficient taxable income within the carryforward periods provided for in the tax law for each tax jurisdiction. The Company has considered the following possible sources of taxable income when assessing the realization of its deferred tax assets:

- future reversals of existing taxable temporary differences;
- future taxable income or loss, exclusive of reversing
- temporary differences and carryforwards;
- tax-planning strategies; and
- taxable income in prior carryback years.

The Company considered both positive and negative evidence in determining the need for a valuation allowance, including the following:

Positive evidence:

- Current forecasts indicate that the Company will generate pre-tax income and taxable income in the future. However, there can be no assurance that the new strategic plans will result in profitability.
- A majority of the Company's tax attributes have indefinite carryover periods.

Negative evidence:

- The Company has several years of cumulative losses as of June 30, 2015.

The Company places more weight on objectively verifiable evidence than on other types of evidence and management currently believes that available negative evidence outweighs the available positive evidence. Management has therefore determined that the Company does not meet the "more likely than not" threshold that deferred tax assets will be realized. Accordingly, a valuation allowance is required. Any reversal of the valuation allowance will favorably impact the Company's results of operations in the period of reversal.

At June 30, 2015, the Company recorded a full valuation allowance against its deferred tax assets.

The Company had available at June 30, 2014, estimated federal and state net operating loss ("NOL") carry forwards of $745,605, which were used for federal and state income tax purposes to offset the gain on the sale lease-back transaction (see Note 8).

The Company's federal and state income tax returns for June 30, 2012, 2013 and 2014 are open tax years.

(10) MAJOR CUSTOMERS AND SALES BY GEOGRAPHIC LOCATION

During the fiscal years ended June 30, 2015 and 2014, sales to any single customer did not exceed 10% of total net sales.

The Company exports products to approximately 30 countries. Sales outside North America totaled $880,500 or 3% of net sales, for the fiscal year ended June 30, 2015 compared to $749,000, or 2.7% of net sales, for the fiscal year ended June 30, 2014.

(11) COMMON STOCK AND COMMON STOCK EQUIVALENTS

For the year ended June 30, 2015, the Company granted no restricted common stock to directors or officers in connection with compensation arrangements. For the year ended June 30, 2014, the Company granted 1,485 shares of restricted common stock to directors in connection with compensation arrangements.

On June 30, 2015, the Company issued 122,000 shares of restricted common stock to the exclusive placement agent and the financial advisor in conjunction with the $4 million capital raise.

The Company maintained a 2005 equity incentive plan for the benefit of employees, on June 29, 2015 the shareholders approved a new 2015 equity incentive plan setting aside 500,000 shares. The 2015 plan was filed with the SEC on September 3, 2015. Incentive and nonqualified stock options, restricted common stock, stock appreciation rights, and other share-based awards may be granted under the plan. Awards granted under the plan may be performance-based. As of June 30, 2015, 500,000 shares of common stock were authorized and reserved for issuance, but were not granted under the terms of the 2015 equity incentive plan. No further grants will be made under the 2005 plan.

The Company granted no options under its 2005 or 2015 equity incentive plan during fiscal year 2015. The Company granted 3,598 options to acquire common stock during fiscal year 2014. The options are granted at not less than 100% of the market price of the stock at the date of grant. Option terms are determined by the board, and exercise dates may range from 6 months to 10 years from the date of grant.

The fair value of each option grant was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions:

	2014
Expected dividend yield	0%
Expected stock price volatility	69%
Risk-free interest rate	2.53%
Expected life of options	10 years

The weighted average fair value of options granted during fiscal year 2014 was $1.89.

The following table summarizes the Company's stock option activity during the reported fiscal years:

	2015 Number of shares		*2015 Weighted average exercise price*	*Weighted average remaining contractual term*	*2014 Number of shares*		*2014 Weighted average exercise price*
Options outstanding at beginning of the year	155,604	$	6.45	3.56 years	163,868	$	6.51
Options granted	—		—		3,598		2.42
Options exercised	—		—		—		—
Options canceled or expired	(64,452)		8.41		(11,862)		6.01
Options outstanding at end of the year	91,152		5.07	2.80 years	155,604		6.45
Options exercisable at end of the year	90,520		5.48		137,804		7.09
Range of exercise prices at end of the year		$	1.75 – 7.10			$	1.75 – 8.60

The Company recognized $66,372 and $70,871 in stock-based compensation for the years ended June 30, 2015 and 2014, respectively, which is included in selling, general, and administrative expenses in the consolidated statements of operations. The stock-based compensation includes amounts for both restricted stock and stock options under ASC 718.

As of June 30, 2015 there was $327,483 of unrecognized stock-based compensation cost that is expected to be expensed over periods of four to nine years.

No options were exercised during the fiscal years 2015 and 2014. The aggregate intrinsic value of the outstanding options as of June 30, 2015 and 2014 was $3,289 and $8,732, respectively.

(12) SERIES A 8% CONVERTIBLE PREFERRED STOCK AND COMMON STOCK WARRANTS

On June 30, 2015, the Company completed a private placement with affiliates of Prettybrook Partners, LLC (“Prettybrook”) and certain other purchasers (collectively with Prettybrook, the “Preferred Investors”) for the offer and sale of shares of the Company’s Series A 8% Convertible Preferred Stock (the “Series A Preferred”) in the aggregate amount of approximately $4 million. Offering costs incurred in conjunction with the private placement were recorded net of proceeds. The Series A Preferred is convertible to common stock on a 1:1 basis. A Forced Conversion can be initiated based on a formula related to share price and trading volumes as outlined in the terms of the private placement. The dividend is fixed at 8% and is payable in either cash or common stock. This dividend is payable quarterly and equates to an annual payment of $322,000 or equivalent value in common stock. Certain redemption rights are attached to the Series A Preferred, but none of the redemption rights for cash are deemed outside the control of the Company. The redemption rights deemed outside the control of the Company require common stock payments or an increase in the dividend rate. The Series A Preferred includes a liquidation preference under which Preferred Investors would receive cash equal to the stated value of their stock plus unpaid dividends. In accordance with the terms of the sale of the Series A Preferred, the Company was required to register the underlying common shares associated with the Series A Preferred and the warrants.

The Series A Preferred votes on an as-converted basis, one vote for each share of Common Stock issuable upon conversion of the Series A Preferred, provided, however, that no holder of Series A Preferred shall be entitled to cast votes for the number of shares of Common Stock issuable upon conversion of such Series A Preferred held by such holder that exceeds the quotient of (x) the aggregate purchase price paid by such holder of Series A Preferred for its Series A Preferred, divided by (y) the greater of (i) $2.50 and (ii) the market price of the Common Stock on the trading day immediately prior to the date of issuance of such holder’s Preferred Stock. The market price of the Common Stock on the trading day immediately prior to the date of issuance was $3.19 per share. Based on a $4,025,000 investment and a $3.19 per share price the number of Common Stock equivalents eligible for voting by Preferred shareholders is 1,261,755.

The Preferred Investors purchased a total of 1,610,000 shares of Series A Preferred Stock, and received in connection with such purchase, (i) A-Warrants, exercisable by cash exercise only, to purchase 1,207,500 shares of common stock, and (ii) B-Warrants, exercisable by “cashless exercise”, to purchase 1,207,500 shares of common stock. The warrants are exercisable for 72 months from the date of issuance and carry a Black-Scholes put feature in the event of a change in control. The put right is not subject to derivative accounting as all equity holders are treated the same in the event of a change in control.

The Company’s Board of Directors has the authority to cause us to issue, without any further vote or action by the shareholders, up to 3,390,000 additional shares of preferred stock, no par value per share, in one or more series, to designate the number of shares constituting any series, and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series.

The Series A Preferred includes a conversion right at a price that creates an embedded beneficial conversion feature. A beneficial conversion feature arises when the conversion price of a convertible instrument is below the per share fair value of the underlying stock into which it is convertible. The conversion price is ‘in the money’ and the holder realizes a benefit to the extent of the price difference. The issuer of the convertible instrument realizes a cost based on the theory that the intrinsic value of the price difference (i.e., the price difference times the number of shares received upon conversion) represents an additional financing cost. The conversion rights associated with the Series A Preferred issued by the Company do not have a stated life and, therefore, all of the beneficial conversion feature amount of $2,858,887 was amortized to dividends on the same date the preferred shares were issued. The $2,858,887 dividend is added to the net loss to arrive at the net loss applicable to common stockholders for purposes of calculating loss per share for the year ended June 30, 2015.

(13) EMPLOYEE BENEFIT PLAN

The Company has a deferred savings plan which qualifies under Internal Revenue Code Section 401(k). The plan covers all employees of the Company who have at least six months of service and who are age 20 or older. For fiscal years 2015 and 2014, the Company made matching contributions of 25% of the first $2,000 of each employee's contribution. The Company's contributions to the plan for 2015 and 2014 were $34,099 and $39,056, respectively. Company matching contributions for future years are at the discretion of the board of directors.

(14) SUBSEQUENT EVENTS

On June 29, 2015 the shareholders approved a new 2015 equity incentive plan setting aside 500,000 shares. The 2015 plan was filed with the SEC on September 3, 2015.

(15) RECENT ACCOUNTING PRONOUNCEMENTS

In April, 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs (Subtopic 835-30). This update requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. Under current standards, debt issuance costs are generally recorded as an asset and amortization of these deferred financing costs is recorded in interest expense. Under the new standard, debt issuance costs will continue to be amortized over the life of the debt instrument and amortization will continue to be recorded in interest expense. ASU 2015-03 is effective for the Company on January 1, 2016, and will be applied on a retrospective basis. The Company is currently evaluating the impact this guidance will have on our consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, Income Statement – Extraordinary and Unusual Items (Subtopic 225-20) Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items. This update eliminates from GAAP the concept of extraordinary items as part of its initiative to reduce complexity. Therefore, extraordinary classification on the income statement will no longer be used. However, the presentation guidance for items that are unusual in nature or occur infrequently will be retained. The update is effective in fiscal years beginning after December 15, 2015 and early adoption is permitted. This update is not applicable to the Company as it has no extraordinary items. However, if there are events that are unusual in nature or occur infrequently, the appropriate disclosures will be made.

In August 2014, the FASB issued Accounting Stand Update (ASU) 2014-15, Presentation of Financial Statements – Going Concern: Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern. This ASU requires management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards, but not currently in GAAP. Specifically, the amendments (1) provide a definition of the term substantial doubt, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). This ASU is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company is currently evaluating the impact that this ASU will have on its financial.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09 – Revenue from Contracts with Customers, which provides a single, comprehensive revenue recognition model for all contracts with customers. The core principal of this ASU is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating the impact that this ASU will have on its financial statements.

The Company has reviewed all other recently issued, but not yet adopted, accounting standards in order to determine their effects, if any, on its results of operations, financial position or cash flows. Based on that review, the Company believes that none of these pronouncements will have a significant effect on its consolidated financial statements.

AVAILABILITY OF FORM 10-K

Dynatronics Corporation files an annual report on Form 10-K each year with the Securities and Exchange Commission. A copy of the Form 10-K for the fiscal year ended June 30, 2015, may be obtained at no charge by sending a written request to:

Mr. Bob Cardon, *Vice President of Administration*
Dynatronics Corporation
7030 Park Centre Drive,
Cottonwood Heights, Utah 84121

OFFICERS AND DIRECTORS

Kelvyn H. Cullimore, Jr.
Chairman of the Board, President and CEO

Larry K. Beardall
Executive Vice President of Sales & Marketing & Director

Terry M. Atkinson, CPA
Chief Financial Officer

Robert J. (Bob) Cardon
Vice President of Administration, Secretary & Treasurer

Douglas G. Sampson
Vice President of Production and R&D

Bryan D. Alsop
Vice President of Information Technology

Howard L. Edwards
Director, Former General Attorney for Atlantic Richfield Company

R. Scott Ward, PT PhD
Director, Chairman of the Department of Physical Therapy at the University of Utah

Erin S. Enright
Director, Managing Partner of Prettybrook Partners, LLC

Brian M. Larkin
Director, Senior Vice President of Acelity LP

Richard J. Linder
Director, President and CEO of CoNextions

GENERAL INFORMATION

Dynatronics Corporation, a Utah corporation organized on April 29, 1983, manufactures, markets and distributes a broad line of therapeutic, diagnostic and rehabilitation equipment, medical supplies and soft goods, and treatment tables to an expanding market of physical therapists, sports medicine practitioners and athletic trainers, chiropractors, podiatrists, orthopedists, and other medical professionals.

ANNUAL MEETING

The company's annual shareholder meeting will be held at Dynatronics' corporate headquarters on December 16, 2015 at 3:00 pm MT.

7030 Park Centre Drive,
Cottonwood Heights, Utah 84121

ACCOUNTANTS, LEGAL COUNSEL AND TRANSFER AGENT

Mantyla McReynolds LLC, Salt Lake City, Utah
Independent Registered Public Accounting Firm
Durham Jones & Pinegar, Salt Lake City, Utah
Corporate Legal Counsel
Kirton & McConkie, Salt Lake City, Utah
Intellectual Property Legal Counsel
Interwest Transfer Company
P.O. Box 17136, Salt Lake City, Utah 84117
Transfer Agent

DYNATRONICS CORPORATION HEADQUARTERS

7030 Park Centre Drive, Cottonwood Heights, Utah 84121
1.800.874.6251, http://www.dynatronics.com

This annual report contains forward-looking statements related to anticipated financial performance, product development and similar matters. Securities laws provide a safe harbor for such statements. The company notes that risks inherent in its business and a variety of factors could cause or contribute to a difference between actual results and anticipated results.

Dynatronics Corporation
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