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SECURITIES & EXCHANGE COMMISSION EDGAR FILING

DYNATRONICS CORP

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2020.

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to ____________.

Commission file number 0-12697

Dynatronics Corporation

(Exact name of registrant as specified in its charter)

Utah	87-0398434
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1200 Trapp Road, Eagan, Minnesota 55121
(Address of principal executive offices, Zip Code)

(801) 568-7000
(Registrant’s telephone number, including area code)

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

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, no par value per share	DYNT	The NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Exchange Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)
Accelerated filer ☐
Smaller reporting company ☑
Emerging growth company ☐

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

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

The aggregate market value of the common stock of the registrant held by non-affiliates computed by reference to the price at which the common stock was last sold on December 31, 2019 (the last day of the registrant’s most recently completed second fiscal quarter), was approximately $6.1 million.

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date:

As of September 21, 2020, there were 14,096,252 shares of the issuer’s common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held on December 2,

2020 are incorporated by reference into Part III.

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Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K, including documents incorporated herein by reference, contains “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements include, but are not limited to: any projections of net sales, earnings, or other financial items; any statements of the strategies, plans and objectives of management for future operations; any statements concerning proposed new products or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements can be identified by their use of such words as “may,” “will,” “estimate,” “intend,” “continue,” “believe,” “expect,” or “anticipate” and similar references to future periods.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. These risks and uncertainties include, but are not limited to, the uncertainty regarding the impact or duration of the Novel Coronavirus Disease 2019 ("COVID-19") virus pandemic that is rapidly spreading globally and adversely affecting communities and businesses. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, those that are discussed in “Business” (Part I, Item 1 of this Form 10-K), “Risk Factors” (Part I, Item 1A of this Form 10-K), and throughout “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (Part II, Item 7 of this Form 10-K). Readers are cautioned that actual results could differ materially from the anticipated results or other expectations that are expressed in forward-looking statements within this report. The forward-looking statements included in this report speak only as of the date hereof, and we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

PART I

Item 1. Business

Company Background

Dynatronics Corporation designs, manufactures, and sells a broad range of restorative products for clinical use in physical therapy, rehabilitation, orthopedics, pain management, and athletic training. Through our distribution channels, we market and sell to orthopedists, physical therapists, chiropractors, athletic trainers, sports medicine practitioners, clinics, hospitals, and consumers.

We conduct our operations at our headquarters in Eagan, Minnesota, and in other facilities located in Northvale, New Jersey; Chattanooga, Tennessee; and Cottonwood Heights, Utah. Organized in 1983, Dynatronics has grown by adding product offerings, developing best-in-class distribution to meet the needs of our target customers, and acquiring complementary medical device businesses in related fields.

Unless the context otherwise requires, all references in this report to “registrant,” “we,” “us,” “our,” “Dynatronics,” or the “Company” refer to Dynatronics Corporation, a Utah corporation and our wholly owned subsidiaries. In this report, unless otherwise expressly indicated, references to “dollars” and “$” are to United States dollars.

Business Strategy

Dynatronics is a leading manufacturer of restorative products known for trusted high-quality brands, on-time delivery, and superior customer care. We are executing a strategy to significantly grow our organization through a value-driven acquisition program in order to realize our vision to become the recognized standard in restorative solutions. We intend to provide value to clinicians, investors, and all stakeholders by executing on our core strategy of sustained revenue growth, strong financial performance, and focused business development.

Corporate Information

Dynatronics Corporation is a Utah corporation founded in 1983 as Dynatronics Laser Corporation to acquire our predecessor company, Dynatronics Research Company, which was also a Utah corporation, formed in 1979. Our principal executive offices are located at 1200 Trapp Road, Eagan, Minnesota, 55121, and our telephone number is (801) 568-7000. Our website address is www.dynatronics.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports and documents we file with the Securities and Exchange Commission (or "SEC") are available via a link to the SEC's website www.sec.gov on our website under the "Investors" tab which directs you to our page at https://irdirect.net/dynt. Available on this website as a portal, investors can find or navigate to pertinent information about us, including copies of the reports described above, as well as other information such as the following:

- Announcements of investor conferences, press releases, and events at which our executives talk about our products and business operations;
- Information about our business strategies, financial results and metrics for investors;
- Press releases on quarterly earnings, product and service announcements, legal developments and other Company news;
- Information and documents related to corporate governance, including our articles of incorporation, bylaws, governance guidelines, Board committee charters, code of conduct and ethics and other governance policies; and
- Other information we may post from time to time.

You may also subscribe to receive Company alerts and information as it becomes available from the Company. The information found on our website and our Investors portal is not part of this or any other report we file with, or furnish to, the SEC. We encourage investors, the media, and others interested in Dynatronics to review the information we post on our website and the social media channels listed on our Investor Relations website.

We operate on a fiscal year ending June 30. For example, reference to fiscal year 2020 refers to the fiscal year ended June 30, 2020. All references to financial statements in this report refer to the consolidated financial statements of our parent company, Dynatronics Corporation, and our wholly-owned subsidiaries, Bird & Cronin, LLC, Hausmann Enterprises, LLC, and Dynatronics Distribution Company, LLC.

Recent Developments

Fulfillment and Distribution Service Agreement

On June 23, 2020, the Company announced its plans to close its Ooltewah, Tennessee facility as part of its previously announced consolidation and cost reduction initiatives. The production of products historically manufactured in our Tennessee facility have been transferred to our New Jersey and Minnesota facilities. As described more fully below, distribution operations were transferred to a third party logistics ("3PL") partner to provide fulfillment and distribution services. Dynatronics believes these actions will result in reduced costs, improved operating profitability, and provide scalability for growth. The facility closure is in the final stages at this time.

Effective July 8, 2020, the Company entered into a Master Service Agreement ("Agreement") with Millstone Medical Outsourcing, LLC ("Millstone") to provide fulfillment and distribution services. Pursuant to the Agreement, Millstone will store and distribute products as directed by the Company and the Company will pay Millstone fees at prices and on terms provided in the Agreement. The initial term of the Agreement is for three years from the effective date. The Agreement will automatically renew for one-year terms thereafter. Either party may terminate the Agreement with or without cause upon 180 days' written notice. Either party may terminate in the event of material breach by the other party, following 60-days' written notice and opportunity to cure, or immediately upon written notice in the event of a material breach incapable of cure that is resulting in continuing damage or loss. Either party may also terminate immediately with written notice in the event of the failure to obtain or renew any necessary governmental permit, license or approval, or in the event of the bankruptcy or insolvency of the other party. Management believes the outsourcing of these distribution capabilities to Millstone is consistent with the Company's objectives of streamlining its operations, continuing to align operating expenses with current revenue levels and, where advantageous, producing additional benefits from a reduction in workforce and related costs.

Resignation of Principal Executive Officer

On July 7, 2020, Brian Baker, citing the need for a reduced work schedule to allow more flexibility to address health issues relating to the COVID-19 virus, stepped down as Chief Executive Officer of Dynatronics Corporation. Mr. Baker continues to serve as a member of the Company's Board of Directors and, subject to the conditions and provisions of the Company's equity incentive plans, equity awards held by Mr. Baker will continue to vest and be exercisable according to their respective terms. In connection with Mr. Baker's resignation, the Company and Mr. Baker entered into a Separation and Pay Continuation Agreement ("Separation Agreement"). The Separation Agreement provides that through October 7, 2020 (the "Separation Date"), Mr. Baker will receive the same compensation and benefits, including continued vesting of outstanding equity awards, as under his existing employment agreement, effective August 19, 2019. The Separation Agreement includes a general release of claims and waivers customary in such agreements. Mr. Baker's departure was not the result of any disagreement with the Company on any matter relating to the Company's operations, policies or practices. The Company also entered into a Consulting Agreement with Mr. Baker (the "Baker Consulting Agreement"), effective October 8, 2020, pursuant to which Mr. Baker will provide consulting services to the Company on a part-time basis following the Separation Date for up to 20 hours per week.

Appointment of New Principal Executive Officer and Director

The Board named John Krier as the Company's Chief Executive Officer effective July 7, 2020. Mr. Krier has served as Chief Financial Officer of Dynatronics since March 2020. Mr. Krier will continue to serve as the Company's Chief Financial Officer on an interim basis until a successor has been hired. On the recommendation of the Nominating Committee, the Board increased the number of directors constituting the full Board from six to seven directors and appointed Mr. Krier as a director to fill the resultant vacancy. Mr. Krier's initial term as director will expire at the Company's 2021 Annual Meeting of Shareholders.

Prior to joining the Company as Chief Financial Officer, Mr. Krier served as Vice President of Marketing of Breg, Inc. (" Breg"), a global medical device company, from March 2014 to November 2019, and provided consulting services to Breg from December 2019 until March 2020. Prior to joining Breg, Mr. Krier was President of Viscent, LLC, an orthopedic bracing supplier, from September 1, 2009 through October 1, 2012, and Executive Consultant to the Chief Executive Officer and Board of Directors from October 2012 through September 2013. Mr. Krier holds a B.S. degree in Business Administration from the University of South Dakota. He is 43 years old.

In connection with his appointment as Chief Executive Officer, Mr. Krier entered into an employment agreement with the Company (the " Krier Employment Agreement"). Pursuant to the Krier Employment Agreement, the Company will pay Mr. Krier an annual base salary of $250,000 per year and he will be eligible for an annual bonus targeted at a maximum payout of $75,000, and an annual equity award of restricted stock units, or RSUs, up to a maximum value of $75,000, which amount will be determined by the Compensation Committee of the Board, based on results of operations and Mr. Krier's performance against goals established by the Compensation Committee. On the date of his appointment, Mr. Krier received a grant of 50,000 RSUs under the Dynatronics 2018 Equity Incentive Plan (the "2018 Plan"), vesting in four equal annual installments commencing on the first anniversary of the grant date. Upon vesting, Mr. Krier will receive a number of shares of common stock equal to the number of RSUs that have vested. Also upon his appointment date, the Company granted Mr. Krier a stock option under the 2018 Plan for the purchase of 15,000 shares of the Company's common stock, vesting over a four-year period with one-fourth of the shares vesting annually on the anniversary of the grant date. The exercise price of the stock option is the market price of the Company's common stock on the date of grant. Mr. Krier will operate from the Company's Eagan, Minnesota location.

The Krier Employment Agreement continues until terminated by the Company or by Mr. Krier in accordance with the terms of the agreement. If the Company terminates Mr. Krier's employment during the first 12 months without cause as defined under the agreement, the Company must pay Mr. Krier an amount equal to three months base salary. In addition, in such event, one-half of the initial equity compensation awards granted to him at the time of his appointment as CEO will automatically vest, subject to his execution of a release of all claims against the Company. Mr. Krier is also subject to a non-solicitation, non-competition and confidentiality agreement with post-termination restrictive covenants. The Company has also entered into an indemnification agreement with Mr. Krier on the same terms as it has with its other directors and executive officers.

Electrotherapy Manufacture and Assembly Agreement

Effective March 2, 2020, the Company entered into a Master Supply Agreement with Ascentron, Inc. ("Ascentron") for the manufacture and assembly of the Company's electrotherapy products, previously manufactured in our Utah facility. Ascentron manufactures and assembles the products to specifications provided by the Company and the Company purchases the finished products from Ascentron at prices and on terms provided in the agreement. Management believes the outsourcing of these manufacturing capabilities to Ascentron is consistent with the Company's objectives of streamlining its operations, continues to align operating expenses with current revenue levels and, where advantageous, produces additional benefits from a reduction in workforce and related costs. The agreement limits price increases to 2.5% annually. The Company retains the right in its sole discretion to extend the agreement for up to two additional two-year terms upon written notice to Ascentron. The Company may terminate the agreement at any time and for any reason upon 365-days' written notice. Either party may terminate in the event of breach by the other party, following 60-days' written notice and opportunity to cure, or in the event of the failure to obtain or renew any necessary governmental permit, license or approval, or in the event of the bankruptcy or insolvency of the other party.

Our Products

We sell products that we manufacture and we sell and distribute products that are manufactured by unrelated third parties. To distinguish between these types of products, in this report, we refer to products manufactured by any of our Dynatronics affiliated entities or contract manufacturer as "Manufactured Products" and we refer to our products that we distribute that are manufactured by third parties as "Distributed Products". All of these products are selected by us to fulfill our goal of providing quality restorative products to our customers. Manufactured Products accounted for approximately 75% of our net sales (excluding freight, repairs, and miscellaneous items) in fiscal year 2020.

We offer a broad range of restorative products for clinical use in physical therapy, rehabilitation, orthopedics, pain management, and athletic training. Our offerings include orthopedic soft bracing products, treatment tables, exercise and rehabilitation equipment, therapeutic modalities, and related supplies.

We are consistently recognized as Best in Class by our various distribution, OEM, and branded partners for our trusted high-quality products, on-time delivery, and superior customer care. Our focus on delivering products on-time is supported by our accelerated shipping options, including our "Quick Ship" program that promises shipment within one to 10 business days from date of order for many of our products.

Our products are used primarily by orthopedists, physical therapists, chiropractors, athletic trainers, sports medicine practitioners, clinics, hospitals, and consumers. The following illustrates a few select restorative products in our portfolio.

Orthopedic Soft Bracing Products

Our orthopedic soft bracing products are designed to accelerate health for patients both pre- and post-surgical intervention, and during fracture recovery, joint stabilization, and ligament injury.

Our Bird & Cronin® Manufactured Products include, among others, cervical collars, shoulder immobilizers, arm slings, wrist and elbow supports, abdominal and lumbosacral supports, maternity supports, knee immobilizers and supports, ankle walkers and supports, plantar fasciitis splints, and cold therapy. We continually seek to update our line of soft bracing Manufactured Products.

Physical Therapy and Rehabilitation Products

Our physical therapy and rehabilitation products are designed to accelerate health in a wide range of clinical settings, including physical therapy, rehabilitation, pain management, and athletic training.

Our Solaris®, Hausmann™, and PROTEAM™ brands include products for physical therapy, rehabilitation, and athletic training. These products include treatment tables, exercise and rehabilitation equipment, therapeutic modalities, and related supplies.

Therapeutic Modalities

We manufacture and distribute a premium line of therapeutic modality devices that include electrotherapy, ultrasound, phototherapy, therapeutic laser, shortwave diathermy, radial pulse therapy, hot and cold therapy, compression therapy, and electrodes. These modalities can be effective in treating pain, increasing local blood circulation, promoting relaxation of muscle spasms, preventing retardation of disuse atrophy, and accelerating muscle re-education. Our branded line of modalities are well known to clinicians across all of our end-markets.

Treatment Tables, Exercise and Rehabilitation Equipment

We manufacture and distribute a premium line of power and manually operated treatment tables, mat platforms, work tables, parallel bars, training stairs, weight racks, treadmills, recumbent bikes, and other related equipment. These products are essential to treating patients in a variety of clinical settings.

Supplies

We manufacture and distribute various clinical supplies that include exercise bands and tubing, topical analgesics, lotions and gels, orthopedic bracing, paper products, athletic tape, and other related supplies.

Sales Mix among Key Products

No single product accounted for more than 10% of total revenues in fiscal years 2020 and 2019. Sales of Manufactured Products represented approximately 75% and 74% of total product sales, excluding freight and other revenue, in fiscal years 2020 and 2019, respectively.

Patents and Trademarks

Patents. We own a United States patent on our thermoelectric technology that will remain in effect until February 2033. We also hold a United States patent on our combination traction/phototherapy technology that will remain in effect until December 2026, and a United States patent on our phototherapy technology that will remain in effect until August 2025.

Trademarks and Copyrights. We own trademarks used in our business, particularly marks relating to our corporate and product names. United States trademark registrations that are significant to our business, include Dynatron®, Dynatron Solaris®, Dynaheat®, BodyIce®, Powermatic®, Bird & Cronin®, Physician's Choice®, and the Hausmann designed logo.

Federal registration of a trademark enables the registered owner of the mark to bar the unauthorized use of the registered mark in connection with a similar product in the same channels of trade by any third party anywhere in the United States, regardless of whether the registered owner has ever used the trademark in the area where the unauthorized use occurs. We may register additional trademarks in countries where our products are or may be sold in the future. Protection of registered trademarks in some jurisdictions may not be as extensive as the protection provided by registration under U.S. law. Trademark protection continues in some countries so long as the trademark is used, and in other countries, so long as the trademark is registered. Trademark registration is for fixed terms and can be renewed indefinitely. Our print materials are also protected under copyright laws, both in the United States and internationally.

We also claim ownership and protection of certain product names, unregistered trademarks, and service marks under common law. Common law trademark rights do not provide the same level of protection that is afforded by the registration of a trademark. In addition, common law trademark rights are limited to the geographic area in which the trademark is actually used. We believe these trademarks, whether registered or claimed under common law, constitute valuable assets, adding to recognition of the Company and the effective marketing of our products.

Trade Secrets. We own certain intellectual property, including trade secrets that we seek to protect, in part, through confidentiality agreements with key employees and other parties involved in manufacturing, research, and development. Even where these agreements exist, there can be no assurance that these agreements will not be breached, that we would have adequate remedies for any breach, or that our trade secrets will not otherwise become known to or independently developed by competitors.

We intend to protect our legal rights in our intellectual property by all appropriate legal action. Consequently, we may become involved from time to time in litigation to determine the enforceability, scope, and validity of any of the foregoing proprietary rights. Any litigation related to our intellectual property could result in substantial cost and divert the efforts of management and technical personnel.

Warranty Service

We provide a warranty on all Manufactured Products for time periods generally ranging in length from 90 days to two years from the date of sale. We service warranty claims on these products at our Utah, New Jersey and Minnesota sites depending on the product and service required. We also have field service available in other parts of the United States. Our warranty policies are comparable to warranties generally available in the industry. Warranty claims were approximately $24,000 in fiscal year 2020, and $88,000 in fiscal year 2019.

Distributed Products carry warranties provided by the various manufacturers of those products. We do not generally supplement these warranties or provide unreimbursed warranty services for Distributed Products. We also sell accessory items for our Manufactured Products that are supplied by other manufacturers. These accessory products carry warranties from their original manufacturers without supplement from us.

Customers and Markets

We sell products to licensed practitioners such as orthopedists, physical therapists, chiropractors, and athletic trainers. Our customers also include professional sports teams and universities, sports medicine specialists, post-acute care facilities, hospitals, clinics, retail distributors and equipment manufacturer (OEM) partners. We utilize a network of over 300 independent dealers throughout the United States. Most dealers purchase and take title to the products, which they then sell to end users. In addition, we utilize a network of independent sales representatives combined with a small number of targeted direct sales representatives.

We have entered into agreements with independent clinics and hospitals, regional and national chains of physical therapy clinics and hospitals, integrated delivery networks, group purchasing organizations (“GPOs”), and government agencies. We sell products directly to these clinics, hospitals, and groups pursuant to preferred pricing arrangements. No single customer or group of related accounts was responsible for 10% or more of net sales in fiscal years 2020 and 2019.

We export products to approximately 30 different countries. Sales outside North America totaled approximately $1,286,000 in fiscal year 2020 (or approximately 2.4% of net sales) and $1,435,000 in fiscal year 2019 (or approximately 2.3% of net sales). We have no foreign manufacturing operations, but we purchase certain products and components from foreign manufacturers.

Competition

We do not compete with a single competitor across all of our product lines. Our industry comprises numerous competitors of varying sizes, including personal care companies, branded consumer healthcare companies and private label manufacturers. Information necessary to determine or reasonably estimate our market share or that of any competitor in any of these markets of our highly fragmented industry is not readily available to us.

We compete against various manufacturers and distributors, some of which are larger and more established, and have greater resources available to them, than Dynatronics. Our competitors in soft bracing products are primarily regional manufacturers, as well as several large corporations. Our competitors in treatment tables, exercise and rehabilitation equipment, and related supplies are from several domestic and international manufacturers and distributors.

In the clinical market for therapeutic modality devices, we compete with both domestic and foreign companies. Several of our products are protected by patents or where patents have expired, the proprietary technology on which those patents were based. We believe that the integration of advanced technology in the design of our products has distinguished Dynatronics-branded products in this competitive market. For example, we were the first company to integrate infrared phototherapy as part of a combination therapy device. We believe these factors give us a competitive edge. Our primary domestic competitors in the therapeutic device manufacturing market include four large manufacturers.

Trusted high-quality brands, on-time product delivery, and superior customer care are of key importance for us to remain competitive in this market and to maintain established relationships within our distribution channels.

Manufacturing and Quality Assurance

We produce Manufactured Products at our facilities in Northvale, New Jersey, Eagan, Minnesota, and Cottonwood Heights, Utah. The production of products historically manufactured in our Ooltewah, Tennessee facility have been transferred to our New Jersey and Minnesota facilities. Our Manufactured Products utilize custom components both fashioned internally from sourced raw materials, as well as components purchased from third-party suppliers. All parts and components purchased from third-party suppliers meet established specifications. Trained staff performs all sub-assembly, final assembly and quality assurance testing by following established procedures. Our design and development process ensures that Manufactured Products meet specified design requirements. The supply chain process manages suppliers of components and materials to ensure their quality and availability for our manufacturing teams.

Ascentron manufactures and assembles the Company's electrotherapy products, previously manufactured in our Utah facility, to specifications provided by the Company, and the Company purchases the finished products from Ascentron. The development and manufacture of a portion of our products manufactured to our specifications by Ascentron is subject to rigorous and extensive regulation by the U.S. Food and Drug Administration, or FDA, and international regulatory agencies, as applicable. In compliance with the FDA’s Current Good Manufacturing Practices, or cGMP, and standards established by the International Organization for Standardization, or ISO, we have developed a comprehensive quality system that processes customer feedback and analyzes product performance trends. Conducting prompt reviews of timely information allows us to respond to customer needs to enhance quality performance of the devices we produce.

Our Utah facility holds certification to ISO 13485:2016. Products manufactured at our facilities in New Jersey, and Minnesota meet the requirements of cGMP. Applicable quality systems enhance our ability to provide products and services that meet the expectations of our customers.

Research and Development

Total research and development (“R&D”) expenses in fiscal year 2020 were $95,000, compared to approximately $54,000 in fiscal year 2019. As a percentage of net sales, R&D expenses represented approximately 0.2% and 0.1% in fiscal years 2020 and 2019, respectively.

Regulatory Matters

The manufacture, packaging, labeling, advertising, promotion, distribution and sale of our products are subject to regulation by numerous national and local governmental agencies in the United States and other countries. In the United States, the FDA regulates some of our products pursuant to the Medical Device Amendment of the Food, Drug, and Cosmetic Act, or FD&C Act, and regulations promulgated under the FD&C Act. Advertising and other forms of promotion (including claims) and methods of marketing of the products are subject to regulation by the FDA and by the Federal Trade Commission, or FTC, under the Federal Trade Commission Act, as applicable.

As a medical device manufacturer, we are required to register with the FDA and once registered we are subject to inspection for compliance with the FDA's Quality Systems Regulations, as applicable. These regulations require us to manufacture our products and maintain related documents in a prescribed manner with respect to manufacturing, testing, and control activities. Further, we are required to comply with various FDA requirements for reportable events involving our devices. The FD&C Act and its medical device reporting regulations require us to provide information to the FDA if allegations are made that one of our products has caused or contributed to a death or serious injury, or if a malfunction of a product would likely cause or contribute to death or serious injury. The FDA also prohibits an approved device from being marketed for unapproved uses. All of our therapeutic treatment devices, as currently designed, are cleared for marketing under section 510(k) of the Medical Device Amendment to the FD&C Act or are considered 510(k) exempt. If a device is subject to section 510(k) clearance requirements, the FDA must receive pre-market notification from the manufacturer of its intent to market the device. The FDA must find that the device is substantially equivalent to a legally marketed predicate device before the agency will clear the new device for marketing.

We intend to continuously improve our products after they have been introduced into the market. Certain modifications to our marketed devices may require a pre-market notification and clearance before the changed device may be marketed, if the change or modification could significantly affect safety and/or effectiveness. As appropriate, we may therefore submit future 510(k) notifications to the FDA. No assurance can be given that clearance or approval of such new applications will be granted by the FDA on a timely basis, or at all. Furthermore, we may be required to submit extensive pre-clinical and clinical data depending on the nature of the product changes. All of our devices, unless specifically exempted by regulation, are subject to the FD&C Act's general controls, which include, among other things, registration and listing, adherence to the Quality System Regulation requirements for manufacturing, medical device reporting and the potential for voluntary and mandatory recalls described above.

In March 2010, the Patient Protection and Affordable Care Act, known as the Affordable Care Act, and the Health Care and Education Reconciliation Act of 2010 were signed into law. The passage of the Affordable Care Act imposed new reporting and disclosure requirements for device manufacturers with regard to payments or other transfers of value made to certain healthcare providers. Specifically, any transfer of value exceeding $10 in a single transfer or cumulative transfers over a one-year period exceeding $100 to any statutorily defined practitioner (primarily physicians, podiatrists, and chiropractors) must be reported to the federal government by March 31st of each year for the prior calendar year. The data is assembled and posted to a publicly accessible website by September 30th following the March 31st reporting date. If we fail to provide these reports, or if the reports we provide are not accurate, we could be subject to significant penalties. Several states have adopted similar reporting requirements. We believe we are in compliance with the Affordable Care Act and we have systems in place to assure continued compliance.

In March 2017, the FDA published guidance relating to Class II devices that would no longer be required to submit a pre-market notification (510(k)). This list was finalized in the Federal Register on July 11, 2017. Among the Class II devices exempted by this determination are some phototherapy devices such as those manufactured by us. That guidance indicates that such devices are considered safe and effective without adding the burden of a pre-market approval by the FDA. While this change diminishes the regulatory burden for such products, it also lowers the barriers to entry for competitive products. We view this change as generally positive for us and our ability to leverage existing technology competencies in this segment.

Failure to comply with applicable FDA regulatory requirements may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines, and criminal prosecutions. Any such action by the FDA could materially adversely affect our ability to successfully market our products. Our Utah, Tennessee, Minnesota and New Jersey facilities are subject to periodic inspection by the FDA for compliance with the FDA's cGMP and other requirements, including appropriate reporting regulations and various requirements for labeling and promotion.

Advertising of our products is subject to regulation by the FTC under the FTC Act, as applicable. Section 5 of the FTC Act prohibits unfair methods of competition and unfair or deceptive acts or practices in or affecting commerce. Section 12 of the FTC Act provides that the dissemination or the causing to be disseminated of any false advertisement pertaining to, among other things, drugs, cosmetics, devices or foods, is an unfair or deceptive act or practice. Pursuant to this FTC requirement, we are required to have adequate substantiation for all advertising claims made about our products. The type of substantiation required depends upon the product claims made.

If the FTC has reason to believe the law is being violated (e.g., a manufacturer or distributor does not possess adequate substantiation for product claims), it can initiate an enforcement action. The FTC has a variety of administrative and judicial processes and remedies available to it for enforcement, including compulsory process authority, cease and desist orders, and injunctions. FTC enforcement could result in orders requiring, among other things, limits on advertising, consumer redress, and divestiture of assets, rescission of contracts, or such other relief as may be deemed necessary. Violation of such orders could result in substantial financial or other penalties. Any such action against us by the FTC could materially and adversely affect our ability to successfully market our products.

From time to time, legislation is introduced in the Congress of the United States or in state legislatures that could significantly change the statutory provisions governing the approval, manufacturing, and marketing of medical devices and products like those we manufacture. In addition, FDA regulations and guidance are often revised or reinterpreted by the agency in ways that may significantly affect our business and our products. It is impossible to predict whether legislative changes will be enacted, or FDA regulations, guidance, or interpretations will be changed, and what the impact of such changes, if any, may be on our business and our results of operations. We cannot predict the nature of any future laws, regulations, interpretations, or applications, nor can we determine what effect additional governmental regulations or administrative orders, when and if promulgated, domestically or internationally, would have on our business in the future. They could include, however, the recall or discontinuance of certain products, additional record keeping, expanded documentation of the properties of certain products, expanded or different labeling, and additional scientific substantiation. The necessity of complying with any or all such requirements could have a material adverse effect on our business, results of operations or financial condition.

In addition to compliance with FDA rules and regulations, we are also required to comply with international regulatory laws or other regulatory schemes used by other countries in which we choose to do business. Foreign governmental regulations have become increasingly stringent and more common, and we may become subject to more rigorous regulation by foreign governmental authorities in the future. Penalties for non-compliance with foreign governmental regulation could be severe, including revocation or suspension of a company's business license and criminal sanctions. Any domestic or foreign governmental law or regulation imposed in the future may have a material adverse effect on us. We believe all of our present products are in compliance in all material respects with all applicable performance standards in countries where the products are sold. We also believe that our products comply with cGMP, record keeping and reporting requirements in the production and distribution of the products in the United States.

Foreign Government Regulation

Although it is not a current focus, we may expand our activities to market our products in select international markets in the future. The regulatory requirements for our products vary from country to country. Some countries impose product standards, packaging requirements, labeling requirements and import restrictions on some of the products we manufacture and distribute. Each country has its own tariff regulations, duties and tax requirements. Failure to comply with applicable foreign regulatory requirements may subject us to fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution.

Environment

Environmental regulations and the cost of compliance with them are not material to our business. Numerous federal, state and local laws regulate the sale of products containing certain identified ingredients that may impact human health and the environment. For instance, California has enacted Proposition 65, which requires the disclosure of specified listed ingredient chemicals on the labels of products sold in that state and the use of warning labels when such ingredients may be found. We believe we are compliant with such regulations.

Seasonality

Our business is affected by some seasonality, which could result in fluctuation in our operating results. Sales are typically higher in our first and fourth fiscal quarters (the summer and spring months), while sales in our second and third fiscal quarters are generally slower (the fall and winter months). Therefore, our quarterly operating results are not necessarily indicative of operating results for the entire year, and historical operating results in a quarterly or annual period are not necessarily indicative of future operating results.

Employees

As of June 30, 2020, we employed 195 people, of which 190 were employed on a full-time basis. Certain of our employees (38 individuals) are subject to a collective bargaining agreement scheduled to expire in February 2022. We believe our labor relations with both union and non-union employees are satisfactory.

Item 1A. Risk Factors

In addition to the risks described elsewhere in this report and in certain of our other filings with the SEC, we have identified the following risks and uncertainties, among others, as risks that could cause our actual results to differ materially from those contemplated by us or by any forward-looking statement contained in this report. These risks and uncertainties include, but are not limited to, the uncertainty regarding the impact or duration of the Novel Coronavirus Disease 2019 ("COVID-19") virus pandemic that is rapidly spreading globally and adversely affecting communities and businesses, including ours . You should consider the following risk factors, in addition to the information presented elsewhere in this report, particularly under the heading "Cautionary Note Regarding Forward-Looking Statements," on page 1 of this report, and statements and disclosures contained in the sections “Part I, Item 1. Business,” “Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations,” as well as in the filings we make from time to time with the SEC, in evaluating us, our business and an investment in our securities. The fact that some of these risk factors may be the same or similar to those that we have included in other reports that we have filed with the SEC in past periods means only that the risks are present in multiple periods. We believe that many of the risks that are described here are part of doing business in the industry in which we operate and will likely be present in all periods. The fact that certain risks are endemic to the industry does not lessen their significance.

Risks Related to Our Business and Industry

We rely on a third party logistics (“3PL”) provider for the storage, fulfillment, and distribution of a majority of our Distributed Products. The failure or inability of our 3PL to perform these services in accordance with the terms of the arrangement, could result in an adverse impact on our business and results of operations. We generally rely on the uninterrupted and efficient operation of our 3PL provider to fulfill orders and distribute our products. This provider may experience disruptions to their operations, including disruptions caused by the COVID-19 pandemic and a shortage of manpower. Disruptions experienced by our provider may result in monetary damages and an adverse effect on our customer relationships.

Furthermore, the facilities where our products are stored by such provider may also be harmed or rendered inoperable by natural or man-made disasters, including earthquakes, power outages, communications failure or terrorism. Any material damage to the facilities where our products are stored could adversely affect its inventory and the ability of such 3PL provider to meet the needs of its customers. In addition, an inability to maintain our logistics providers or a delay, disruption or quality control problems in the operations of such provider, including as a result of damage to the facilities of such provider or a strike by such provider, could cause delays in our ability to fulfill customer orders and may cause orders to be canceled, or delivered late, our products to be returned, or receipt of products to be refused, any of which could adversely affect our business and results of operations.

Our contract with our 3PL provider is terminable upon written notice by either party for convenience without cause upon 180 days’ written notice. If we are unable to maintain our contract with the provider, we would be required to retain a new 3PL provider and may be unable to retain such third party at a cost that is acceptable to us.

Finally, the failure or inability of this provider to deliver products from us to our customers, for any reason, could disrupt our business and harm our reputation and operating results. We work closely with our 3PL provider to anticipate issues, and also review public information regarding their financial health. However, issues may not be identified quickly, which may lead to lack of or poor execution of services, loss, or litigation. Additionally, deterioration of the financial condition of our 3PL provider could result in delayed responsiveness or delivery failure, which would ultimately affect our responsiveness to our customers and thus may adversely affect our business, operations, and financial performance.

We expect to rely on third-party manufacturers and will be dependent on their quality and effectiveness. Our electrotherapy products require precise, high-quality manufacturing. The failure to achieve and maintain high manufacturing standards, including failure to detect or control unexpected events or unanticipated manufacturing errors, or the frequent occurrence of such errors, could result in patient injury or death, delays or failures in product testing or delivery, cost overruns, product recalls or withdrawals and other problems that could seriously hurt our business. Third party manufacturers can encounter difficulties involving manufacturing processes, facilities, operations, production yields, quality control, compliance, and shortages of qualified personnel.

If for any reason our third-party manufacturer is unable or unwilling to perform, we may not be able to terminate our agreements with them, and we may not be able to locate alternative manufacturers or enter into favorable agreements with them, nor can we be certain that any such third-parties will have the manufacturing capacity to meet future requirements. If these manufacturers, or any alternate manufacturer, experience any significant difficulties in their respective manufacturing processes for our electrotherapy products, or should these manufacturers cease doing business with us, we could experience significant interruptions in the supply of our electrotherapy products or may not be able to create a supply of our electrotherapy products at all. Were we to encounter manufacturing issues, our ability to produce a sufficient supply of our electrotherapy products might be negatively affected. Our inability to coordinate the efforts of our third-party manufacturer, or the lack of capacity available at our third-party manufacturer, could impair our ability to supply our electrotherapy products at required levels.

We cannot guarantee our manufacturing and assembly partners will be able to manufacture our electrotherapy products at commercial scale on a cost-effective basis. If the commercial-scale manufacturing costs of our electrotherapy products are higher than expected, these costs may significantly impact our operating results.

Disruption of our supply chain could have an adverse impact on our business, financial condition, and results of operations. Our ability to make, move, and sell our products is critical to our success. Damage or disruption to our supply chain, including third-party manufacturing, assembly or transportation and distribution capabilities, due to weather, including any potential effects of climate change, natural disaster, fire or explosion, terrorism, pandemics (such as the COVID-19 pandemic), strikes, government action, or other reasons beyond our control or the control of our suppliers and business partners, could impair our ability to manufacture or sell our products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, particularly when a product is sourced from a single supplier or location, could adversely affect our business or financial results. In addition, disputes with significant suppliers, including disputes regarding pricing or performance, could adversely affect our ability to supply products to our customers and could materially and adversely affect our product sales, financial condition, and results of operations.

In particular, we are actively monitoring the recent COVID-19 pandemic and its potential impact on our supply chain and our consolidated results of operations. Due to restrictions resulting from the pandemic, global supply may become constrained, which may cause the price of certain ingredients and raw materials used in our products to increase and/or we may experience disruptions to our operations.

We face risks related to health epidemics and other widespread outbreaks of contagious disease, which could significantly disrupt our supply chain and impact our operating results. Significant outbreaks of contagious diseases, and other adverse public health developments, could have a material impact on our business operations and operating results. In December 2019, a novel strain of coronavirus causing respiratory illness emerged in China and has continued to spread to other countries, including the United States, and has been deemed a pandemic. Global governments, including local, state and federal government of the United States, have taken certain emergency measures to combat the spread of the virus, including implementation of stay-at-home orders, social distancing, travel bans and closure of factories and businesses. We have implemented guidelines and redundancies to promote employee health and wellness in order to meet our obligations as a manufacturer and infrastructure provider. If our employee health and wellness activities are not fully successful, it could have a material effect on our ability to manufacture products in required quantities. Although we are considered an essential manufacturer, some of our materials and products are sourced from suppliers located in affected areas. Likewise, many of our customers have had to temporarily close or limit their operations. While the full impact of this outbreak is unknown at this time, we are closely monitoring the developments and continually assessing the potential impact on our business. Any prolonged disruption to our suppliers, our manufacturing, or our customers could negatively impact our sales, operating results, collection of receivables, and valuation of inventory; however, the situation continues to develop and the extent or duration is still uncertain.

Any current or future outbreak of a health epidemic or other adverse public health developments, such as the current outbreak of COVID-19, could disrupt our manufacturing and supply chain, and adversely affect our business and operating results. Our business could be adversely affected by the effects of health epidemics. For example, our materials suppliers could be disrupted by conditions related to COVID-19, or other epidemics, possibly resulting in disruption to our supply chain. If our suppliers are unable or fail to fulfill their obligations to us for any reason, we may not be able to manufacture our products and satisfy customer demand or our obligations under sales agreements in a timely manner, and our business could be harmed as a result. At this point in time, there is uncertainty relating to the potential effect of COVID-19 on our business. Infections may become more widespread and should that limit our ability to timely sell and distribute our products or cause supply disruptions, it would have a negative impact on our business, financial condition and operating results. In addition, a significant health epidemic could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for our products, which could have a material adverse effect on our business, operating results and financial condition.

Although certain of our products are used by healthcare professionals in settings where patients are treated, we do not make claims that our products are effective in the treatment, prevention or cure of disease, including COVID-19. If sales representatives, retailers or online resellers make unauthorized representations concerning the use of our products in the prevention, treatment or mitigation of COVID-19, the response to such statements may adversely affect our business and results of operations and the market price of our common stock. The manufacture, marketing and sale of our products are regulated by governmental agencies, including the U.S. Food and Drug Administration or FDA, or FDA, and the Federal Trade Commission, or FTC. Recently the FDA and the FTC issued warning letters to several companies for selling fraudulent COVID-19 products, as part of these agencies' response in protecting Americans during the global COVID-19 outbreak. Companies that sell products that fraudulently claim to prevent, treat or cure COVID-19 may be subject to legal action, including but not limited to seizure or injunction. The extent to which the COVID-19 outbreak continues to impact our financial condition will depend on future developments that are highly uncertain and cannot be predicted, including new government actions or restrictions, new information that may emerge concerning the severity of COVID-19, the longevity of COVID-19 and the impact of COVID-19 on economic activity.

We have a recent history of losses, and we may not return to or sustain profitability in the future. We have incurred net losses for nine consecutive fiscal years. We cannot predict when we will again achieve profitable operations or that we will not require additional financing to fulfill our business objectives. We may not be able to increase revenue in future periods, and our revenue could decline or grow more slowly than we expect. We may incur significant losses in the future for many reasons, including due to the risks described in this report.

We may need additional funding and may be unable to raise additional capital when needed, which could adversely affect our results of operations and financial condition. In the future, we may require additional capital to pursue business opportunities or acquisitions or respond to challenges and unforeseen circumstances. We may also decide to engage in equity or debt financings or enter into credit facilities for other reasons. We may not be able to secure additional debt or equity financing in a timely manner, on favorable terms, or at all. Any debt financing obtained by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. Failure to obtain additional financing when needed or on acceptable terms would have a material adverse effect on our business operations.

Our level of indebtedness may harm our financial condition and results of operations. Our level of indebtedness will impact our future operations in many important ways, including, without limitation, by:

- Requiring that a portion of our cash flows from operations be dedicated to the payment of any interest or amortization required with respect to outstanding indebtedness;
- Increasing our vulnerability to adverse changes in general economic and industry conditions, as well as to competitive pressure; and
- Limiting our ability to obtain additional financing for working capital, acquisitions, capital expenditures, general corporate and other purposes.

At the scheduled maturity of our credit facilities or in the event of an acceleration of a debt facility following an event of default, the entire outstanding principal amount of the indebtedness under such facility, together with all other amounts payable thereunder from time to time, will become due and payable. It is possible that we may not have sufficient funds to pay such obligations in full at maturity or upon such acceleration. If we default and are not able to pay any such obligations due, our lenders have liens on substantially all of our assets and could foreclose on our assets in order to satisfy our obligations. If we are unable to meet our debt service obligations and other financial obligations, we could be forced to restructure or refinance our indebtedness and other financial transactions, seek additional equity capital or sell our assets. We might then be unable to obtain such financing or capital or sell our assets on satisfactory terms, if at all. Our line of credit with a lender matures in January 2022, which will require that we renew the facility at that time. There is no assurance we will be successful in renewing the credit facility with our current lender or refinancing the facility with another lender. In addition, any refinancing of our indebtedness could be at significantly higher interest rates, and/or result in significant transaction fees.

If we fail to generate sufficient cash flow in the future, we may require additional financing. If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may be required to refinance some or all our existing debt, sell assets, borrow more money or raise capital through the sale of our equity securities. If these or other kinds of additional financing become necessary, we may be unable to arrange such financing on terms that would be acceptable to us or at all.

Our inability to successfully manage growth through acquisitions, and the integration of acquired businesses, products or technologies may present significant challenges and could harm our operating results. Our business plan includes the acquisition of other businesses, products, and technologies. In the future we expect to acquire or invest in businesses, products or technologies that we believe could complement our existing product lines, expand our customer base and operations, and enhance our technical capabilities or otherwise offer growth or cost-saving opportunities. As we grow through acquisitions, we face additional challenges of integrating the operations, personnel, culture, information management systems and other characteristics of the acquired entity with our own. Efforts to integrate future acquisitions may be hampered by delays, the loss of certain employees, changes in management, suppliers or customers, proceedings resulting from employment terminations, culture clashes, unbudgeted costs, and other issues, which may occur at levels that are more severe or prolonged than anticipated. If we identify an appropriate acquisition candidate, we may not be successful in negotiating favorable terms of the acquisition, financing the acquisition or effectively integrating the acquired business, product or technology into our existing business and operations. Our due diligence may fail to identify all of the problems, liabilities or other shortcomings or challenges of an acquired business, product or technology, including issues related to intellectual property, product quality or product architecture, regulatory compliance practices, revenue recognition or other accounting practices, or employee or customer issues.

We have incurred, and will likely continue to incur, significant expenses in connection with negotiating and consummating acquisitions. We may not achieve the synergies or other benefits we expected to achieve. And we may incur write-downs, impairment charges or unforeseen liabilities, all of which could negatively affect our operating results or financial position or could otherwise harm our business. If we finance acquisitions by issuing convertible debt or equity securities, the ownership interest of our existing shareholders may be significantly diluted, which could adversely affect the market price of our stock. Further, contemplating, investigating, negotiating or completing an acquisition and integrating an acquired business, product or technology could divert management and employee time and resources from other matters that are important to our existing business.

If we fail to establish new sales and distribution relationships or maintain our existing relationships, or if our third party distributors and dealers fail to commit sufficient time and effort or are otherwise ineffective in selling our products, our results of operations and future growth could be adversely impacted. The sale and distribution of certain of our products depend, in part, on our relationships with a network of third-party distributors and dealers. These third-party distributors and dealers maintain the customer relationships with the hospitals, clinics, orthopedists, physical therapists and other healthcare professionals that purchase, use and recommend the use of our products. Although our internal sales staff trains and manages these third-party distributors and dealers, we do not control or directly monitor the efforts that they make to sell our products. In addition, some of the dealers that we use to sell our products also sell products that directly compete with our core product offerings. These dealers may not dedicate the necessary effort to market and sell our products or they may source products we distribute directly from the manufacturer. If we fail to attract and maintain relationships with third-party distributors and dealers or fail to adequately train and monitor the efforts of the third-party distributors and dealers that market and sell our products, or if our existing third-party distributors and dealers choose not to carry our products, our results of operations and future growth could be adversely affected.

Healthcare reform in the United States has had and is expected to continue to have a significant effect on our business and on our ability to expand and grow our business. The Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, significantly expanded health insurance coverage to uninsured Americans and changed the way health care is financed by both governmental and private payers. These provisions may be modified, repealed, or otherwise invalidated, in whole or in part. Future rulemaking could affect rebates, prices or the rate of price increases for health care products and services, or required reporting and disclosure. We cannot predict the timing or impact of any future rulemaking or changes in the law.

Our products are regulated by numerous government agencies, both inside and outside the United States. The impact of this factor on us is direct, to the extent we are subject to these laws and regulations, and indirect in that in a number of situations, even though we may not be directly regulated by specific healthcare laws and regulations, our products must be capable of being used by our customers in a manner that complies with those laws and regulations. The manufacture, distribution, marketing, and use of some of our products are subject to extensive regulation and increased scrutiny by the FDA and other regulatory authorities globally. Any new Class II product must undergo lengthy and rigorous testing and other extensive, costly and time-consuming procedures mandated by FDA and foreign regulatory authorities. Changes to current Class II products may be subject to vigorous review, including additional 510(k) and other regulatory submissions, and marketing clearances are not certain. Our facilities must be registered prior to production and remain subject to inspection from time to time thereafter. Failure to comply with the requirements of FDA or other regulatory authorities, including a failed inspection or a failure in our adverse event reporting system, could result in adverse inspection reports, warning letters, product recalls or seizures, monetary sanctions, injunctions to halt the manufacture and distribution of products, civil or criminal sanctions, refusal of a government to grant approvals or licenses, restrictions on operations or withdrawal of existing approvals and licenses. Any of these actions could cause a loss of customer confidence in us and our products, which could adversely affect our sales. The requirements of regulatory authorities, including interpretative guidance, are subject to change and compliance with additional or changing requirements or interpretative guidance may subject us or our products to further review, result in product launch delays or otherwise increase our costs.

Changing market patterns may affect demand for our products. Increasingly, medical markets are moving toward evidence-based practices. Such a move could shrink demand for products we offer if it is deemed there is inadequate evidence to support the efficacy of the products. Likewise, to achieve market acceptance in such environments may require expenditure of funds to do clinical research that may or may not prove adequate efficacy to satisfy all customers.

The cost of healthcare has risen significantly over the past decade and numerous initiatives and reforms initiated by legislators, regulators and third-party payers to curb these costs have resulted in a consolidation trend in the restorative products industry as well as among our customers, including healthcare providers. These conditions could result in greater pricing pressures and limitations on our ability to sell to important market segments, such as group purchasing organizations, integrated delivery networks and large single accounts. We expect that market demand, government regulation, third-party reimbursement policies and societal pressures will continue to change the worldwide healthcare industry, resulting in further business consolidations and alliances which may exert further downward pressure on the prices of our products and adversely impact our business, financial condition and results of operations.

The sale, marketing, and pricing of our products, and relationships with healthcare providers are under increased scrutiny by federal, state, and foreign government agencies. Compliance with anti-kickback statutes, false claims laws, the FDC Act (including as these laws relate to off-label promotion of products), and other healthcare related laws, as well as competition, data and patient privacy, and export and import laws, is under increased focus by the agencies charged with overseeing such activities, including FDA, the Office of Inspector General (OIG), Department of Justice (DOJ) and the FTC. The DOJ and the SEC have increased their focus on the enforcement of the U.S. Foreign Corrupt Practices Act ("FCPA") described below under "*Our commercial activities internationally are subject to special risks associated with doing business in environments that present a heightened corruption and trade sanctions risk."* The laws and standards governing the promotion, sale, and reimbursement related to our products and laws and regulations governing our relationships with healthcare providers and governments can be complicated, are subject to frequent change and may be violated unknowingly. Violations or allegations of violations of these laws may result in large civil and criminal penalties, debarment from participating in government programs, diversion of management time, attention and resources and may otherwise have an adverse effect on our business, financial condition and results of operations. In the event of a violation, or the allegation of a violation of these laws, we may incur substantial costs associated with compliance or to alter one or more of our sales and marketing practices and we may be subject to enforcement actions which could adversely affect our business, financial condition and results of operations.

Our commercial activities internationally are subject to special risks associated with doing business in environments and jurisdictions that present a heightened corruption and trade sanctions risk. We operate our business and market and sell products internationally, including in countries in Asia, Latin America, and the Middle East, which may be considered business environments that pose a relatively higher risk of corruption than the United States, and therefore present greater political, economic and operational risk to us, including an increased risk of trade sanction violations. In addition, there are numerous risks inherent in conducting our business internationally, including, but not limited to, potential instability in international markets, changes in regulatory requirements applicable to international operations, currency fluctuations in foreign countries, political, economic and social conditions in foreign countries and complex U.S. and foreign laws and treaties, including tax laws, the FCPA, and the Bribery Act of 2010 ("U.K. Anti-Bribery Act"). The FCPA prohibits U.S.-based companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. The FCPA also imposes recordkeeping and internal controls requirements on public companies in the U.S. The U.K. Anti-Bribery Act prohibits both domestic and international bribery as well as bribery across both public and private sectors. In recent years, the number of investigations and other enforcement activities under these laws has increased. As we expand our business to include pursuit of opportunities in certain parts of the world that experience government corruption, in certain circumstances compliance with anti-bribery laws may conflict with local customs and practices. Our policies mandate compliance with all applicable anti-bribery laws. Further, we require our partners, subcontractors, agents and others who work for us or on our behalf to comply with these and other anti-bribery laws. If we fail to enforce our policies and procedures properly or maintain adequate record-keeping and internal accounting practices to accurately record our transactions, we may be subject to regulatory sanctions. In the event that we believe or have reason to believe that our employees have or may have violated applicable anti-corruption laws, including the FCPA, trade sanctions or other laws or regulations, we are required to investigate or have outside counsel investigate the relevant facts and circumstances, and if violations are found or suspected, could face civil and criminal penalties, and significant costs for investigations, litigation, settlements and judgments, which in turn could have a material adverse effect on our business.

If significant tariffs or other restrictions are placed on imports or any related counter-measures are taken by foreign countries, our revenue and results of operations may be materially harmed. Potential changes in international trade relations between the United States and other countries could have a material adverse effect on our business. There is currently significant uncertainty about the future relationship between the United States and various other countries, with respect to trade policies, treaties, government regulations and tariffs. The U.S. government has adopted a new approach to trade policy including in some cases to renegotiate, or potentially terminate, certain existing bilateral or multi-lateral trade agreements. The U.S. government has also imposed tariffs on certain foreign goods. These measures may materially increase costs for goods imported into the United States. This in turn could require us to materially increase prices to our customers which may reduce demand, or, if we are unable to increase prices to adequately address any tariffs, quotas or duties result in lowering our margin on products sold. Changes in U.S. trade policy have resulted in, and could result in more, U.S. trading partners adopting responsive trade policies, including imposition of increased tariffs, quotas or duties, making it more difficult or costly for us to export our products to those countries. The implementation of a border tax, tariff or higher customs duties on our products manufactured abroad or components that we import into the U.S., or any potential corresponding actions by other countries in which we do business, could negatively impact our financial performance.

If we fail to obtain regulatory approval in foreign jurisdictions, then we cannot market our products in those jurisdictions. We sell some of our products in foreign jurisdictions. Many foreign countries in which we market or may market our products have regulatory bodies and restrictions similar to those of the FDA. International sales are subject to foreign government regulation, the requirements of which vary substantially from country to country. The time required to obtain approval by a foreign country may be longer or shorter than that required for FDA clearance and the requirements may differ. Companies are now required to obtain a CE Mark, which shows conformance with the requirements of applicable European Conformity directives, prior to the sale of some medical devices within the European Union. Some of our current products that require CE Markings have them and it is anticipated that additional and future products may require them as well. We may be required to conduct additional testing or to provide additional information, resulting in additional expenses, to obtain necessary approvals. If we fail to obtain approval in such foreign jurisdictions, we would not be able to sell our products in such jurisdictions, thereby reducing the potential revenue from the sale of our products.

We store, process, and use data, some of which contain personal information and are subject to complex and evolving laws and regulations regarding privacy, data protection and other matters, which are subject to change. Some of the data we store, process, and use, contains personal information, subjecting us to a variety of laws and regulations in the United States and other countries with respect to privacy, rights of publicity, data protection, content, protection of minors, and consumer protection. These laws can be particularly restrictive. Both in the United States and abroad, these laws and regulations are evolving and remain subject to change. Several proposals are pending before federal, state and foreign legislative and regulatory bodies that could significantly affect our business. A number of states have enacted laws or are considering the enactment of laws governing the release of credit card or other personal information received from consumers:

- California has enacted legislation, the California Consumer Privacy Act (“CCPA”) that, among other things, will require covered companies to provide new disclosures to California consumers, and afford such consumers new abilities to opt-out of certain sales of personal information. The CCPA went into effect on January 1, 2020.

- The EU General Data Protection Regulation (“GDPR”), effective May, 2018, establishes new requirements applicable to the processing of personal data (i.e., data which identifies an individual or from which an individual is identifiable), affords new data protection rights to individuals, and imposes penalties for serious data breaches. Individuals also have a right to compensation under GDPR for financial or non-financial losses. GDPR has imposed additional responsibility and liability in relation to our processing of personal data in the EU. GDPR has also required us to change our various policies and procedures in the EU and, if we are not compliant, could materially adversely affect our business, results of operations and financial condition.

- Canada’s Personal Information and Protection of Electronic Documents Act provides Canadian residents with privacy protections in regard to transactions with businesses and organizations in the private sector and sets out ground rules for how private sector organizations may collect, use, and disclose personal information in the course of commercial activities.

- In November 2016, the Standing Committee of China’s National People’s Congress passed its Cybersecurity Law (“CSL”), which took effect in June 2017. The CSL is the first Chinese law that systematically lays out regulatory requirements on cybersecurity and data protection, subjecting many previously under-regulated or unregulated activities in cyberspace to government scrutiny.

The costs of compliance with, and other burdens imposed by, the GDPR, CSL and related laws may limit the use and adoption of our products and services and could have an adverse impact on our business, operating results and financial condition. Foreign governments also may attempt to apply such laws extraterritorially or through treaties or other arrangements with U.S. governmental entities. In addition, the application and interpretation of these laws and regulations are often uncertain and could result in investigations, claims, changes to our business practices, increased cost of operations and declines in sales, any of which could materially adversely affect our business, results of operations and financial condition. We cannot assure you that the privacy policies and other statements regarding our practices will be found sufficient to protect us from liability or adverse publicity relating to the privacy and security of personal information. Whether and how existing local and international privacy and consumer protection laws in various jurisdictions apply to the internet and other online technologies is still uncertain and may take years to resolve. Privacy laws and regulations, if drafted or interpreted broadly, could be deemed to apply to the technology we use and could restrict our information collection methods or decrease the amount and utility of the information that we would be permitted to collect. A determination by a court or government agency of a failure, or perceived failure, by us, the third parties with whom we work or our products and services to protect employee, applicant, vendor, website visitor or customer personal data (including as a result of a breach by or of a third-party provider) or to comply with any privacy-related laws, government regulations or directives or industry self-regulatory principles or our posted privacy policies could result in damage to our reputation, legal proceedings or actions against us by governmental entities or otherwise, which could have an adverse effect on our business. In addition, concerns about our practices with regard to the collection, use, disclosure, or security of personally identifiable information or other privacy-related matters, even if unfounded and even if we are in compliance with applicable laws, could damage our reputation and harm our business. We have and post on our website our own privacy policy and cookie statement concerning the collection, use and disclosure of user personal data.

Failures in, material damage to, or interruptions in our information technology systems, software or websites, including as a result of cyber-attacks, and difficulties in updating our existing software or developing or implementing new software, could have a material adverse effect on our business or results of operations. We depend increasingly on our information technology systems in the conduct of our business. For example, we own, license or otherwise contract for sophisticated technology and systems to do business online with customers, including for order entry and fulfillment, processing and payment, product shipping and product returns. We also maintain internal and external communications, product inventory, supply, production and enterprise management, and personnel information on information systems. Our information systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches and natural and manmade disasters. In particular, from time to time we and third parties who provide services for us experience cyber-attacks, attempted breaches of our or their information technology systems and networks or similar events, which could result in a loss of sensitive business or customer information, systems interruption or the disruption of our operations. The techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and may be difficult to detect for long periods of time, and accordingly we may be unable to anticipate and prevent all data security incidents. Like many businesses, our systems come under frequent attack from third parties. We are required to expend capital and other resources to protect against such cyber-attacks and potential security breaches or to alleviate problems caused by such potential breaches or attacks. Despite the constant monitoring of our technology systems and hiring of specialized third parties to identify and address any vulnerabilities through implementation of multi-tiered network security measures, it is possible that computer programmers and hackers, or even internal users, may be able to penetrate, create systems disruptions or cause shutdowns of our network security or that of third-party companies with which we have contracted. As a result, we could experience significant disruptions of our operations and incur significant expenses addressing problems created by these breaches. Such unauthorized access could disrupt our business and could result in a loss of revenue or assets and any compromise of customer information could subject us to customer or government litigation and harm our reputation, which could adversely affect our business and growth. Although we maintain cyber liability insurance that provides liability and insurance coverages, subject to limitations and conditions of the policies, our insurance may not be sufficient to protect against all losses or costs related to any future breaches of our systems.

Market access could be a limiting factor in our growth. The emergence of GPO's that control a significant amount of product flow to hospitals and other acute care customers may limit our ability to grow in the acute care space. GPO's issue contracts to manufacturers approximately every three years through a bidding process. Despite repeated efforts, we have been relatively unsuccessful in landing any significant GPO contracts. The process for being placed on contract with a GPO is rigorous and non-transparent. Performance Health, a large competitor, controls the majority of GPO contracts in our market space holding in many instances a sole source contract.

A significant percentage of our workforce is subject to a collective bargaining agreement. Approximately 19% of our workforce is subject to a collective bargaining agreement, which is subject to negotiation and renewal every three years. The current agreement is scheduled to expire in February 2022. Our inability to negotiate the renewal of this collective bargaining agreement, or any prolonged work stoppages, could have a material adverse effect on our business, results of operations, financial condition and cash flows. We cannot ensure that we will be successful in negotiating new collective bargaining agreements, that such negotiations will not result in significant increases in the cost of labor, or that a breakdown in such negotiations will not result in the disruption of our operations. In addition, employees who are not currently represented by labor unions may seek representation in the future. Although we have generally enjoyed good relations with both our union and non-union employees, if we are subject to labor actions, we may experience an adverse impact on our operating results.

We rely on a combination of patents, trade secrets, and nondisclosure and non-competition agreements to protect our proprietary intellectual property, and we will continue to do so. While we intend to defend against any threats to our intellectual property, these patents, trade secrets, or other agreements may not adequately protect our intellectual property. Third parties could obtain patents that may require us to negotiate licenses to conduct our business, and the required licenses may not be available on reasonable terms or at all. We also rely on nondisclosure and non-competition agreements with certain employees, consultants, and other parties to protect, in part, trade secrets and other proprietary rights. We cannot be certain that these agreements will not be breached, that we will have adequate remedies for any breach, that others will not independently develop substantially equivalent proprietary information, or that third parties will not otherwise gain access to our trade secrets or proprietary knowledge.

Certain of the products we sell are subject to market and technological obsolescence. We offer approximately 10,000 products or variations of products. If our customers discontinue purchasing a given product, we might have to record expense related to the diminution in value of inventories we have in stock, and depending on the magnitude, that expense could adversely impact our operating results. In addition to the products of others that we distribute, we design and manufacture our own medical devices and products. We may be unable to effectively develop and market products against the products of our competitors in a highly competitive industry. Our present or future products could be rendered obsolete or uneconomical by technological advances by our competitors. Competitive factors include price, customer service, technology, innovation, quality, reputation and reliability. Our competition may respond more quickly to new or emerging technologies, undertake more extensive marketing campaigns, have greater financial, marketing and other resources than us or be more successful in attracting potential customers, employees and strategic partners. Given these factors, we cannot guarantee that we will be able to continue our level of success in the industry.

We are dependent on a limited number of third-party suppliers for components and raw materials and the loss of any of these suppliers, or their inability to provide us with an adequate supply of materials that meet our quality and other requirements, could harm our business. We rely on third-party suppliers to provide components for our products, manufacture products that we do not manufacture ourselves and perform services that we do not provide ourselves, including package-delivery services. Because these suppliers are independent third parties with their own financial objectives, actions taken by them could have a materially adverse effect on our results of operations. The risks of relying on suppliers include our inability to enter into contracts with such suppliers on reasonable terms, breach, or termination by suppliers of their contractual obligations, inconsistent or inadequate quality control, relocation of supplier facilities, and disruption to suppliers' business, including work stoppages, suppliers' failure to comply with complex and changing regulations, and third-party financial failure. Any problems with our suppliers and associated disruptions to our supply chain could materially negatively impact our ability to supply the market, substantially decrease sales, lead to higher costs, or damage our reputation with our customers, and any longer-term disruptions could potentially result in the permanent loss of our customers, which could reduce our recurring revenues and long-term profitability. Disruption to our supply chain could occur as a result of any number of events, including, but not limited to, increases in wages that drive up prices; the imposition of regulations, trade protection measures, tariffs, duties, import/export restrictions, quotas or embargoes on key components; labor stoppages; transportation failures affecting the supply and shipment of materials and finished goods; the unavailability of raw materials; severe weather conditions; natural disasters; civil unrest, geopolitical developments, war or terrorism; computer viruses, physical or electronic breaches, or other information system disruptions or security breaches; and disruptions in utility and other services.

We may be adversely affected by product liability claims, unfavorable court decisions or legal settlements. Our business exposes us to potential product liability risks that are inherent in the design, manufacture and marketing of medical devices. We maintain product liability insurance coverage which we deem to be adequate based on historical experience; however, there can be no assurance that coverage will be available for such risks in the future or that, if available, it would prove sufficient to cover potential claims or that the present amount of insurance can be maintained in force at an acceptable cost. In addition, we may incur significant legal expenses regardless of whether we are found to be liable. Furthermore, the assertion of such claims, regardless of their merit or eventual outcome, also may have a material adverse effect on our business reputation and results of operations.

Intellectual property litigation and infringement claims could cause us to incur significant expenses or prevent us from selling certain of our products. The medical device industry is characterized by extensive intellectual property litigation and, from time to time, we are the subject of claims by third parties of potential infringement or misappropriation. Regardless of outcome, such claims are expensive to defend and divert the time and effort of management and operating personnel from other business issues. A successful claim or claims of patent or other intellectual property infringement against us could result in our payment of significant monetary damages and/or royalty payments or negatively impact our ability to sell current or future products in the affected category.

Risks Related to Our Common Stock

Our failure to meet the continued listing requirements of Nasdaq could result in a delisting of our common stock. Our common stock is currently listed for trading on The Nasdaq Capital Market, and the continued listing of our common stock on The Nasdaq Capital Market is subject to our compliance with a number of listing standards. On May 15, 2020, we received notice from the Listing Qualifications Department of the Nasdaq Stock Market LLC ("Nasdaq") that because the closing bid price for our common stock had fallen below $1.00 per share for 30 consecutive business days, we no longer complied with the $1.00 minimum bid price requirement for continued listing on The Nasdaq Capital Market under Rule 5550(a)(2) of the Nasdaq Listing Rules. Pursuant to Nasdaq Listing Rules, as tolled for the extraordinary and unprecedented turmoil in U.S. and world financial markets, we have until December 28, 2020 to regain compliance with the minimum bid price requirement. To regain compliance, the closing bid price of our common stock must meet or exceed $1.00 per share for a minimum of ten consecutive business days prior to December 28, 2020. If that occurs, Nasdaq will provide written notification that the Company has achieved compliance with the minimum bid requirement.

If the Company does not regain compliance by December 28, 2020, it may be eligible for an additional grace period, provided it meets the applicable market value of publicly held shares requirement for continued listing, and all other applicable Nasdaq standards for initial listing on The Nasdaq Capital Market, with the exception of bid price. If we do not regain compliance with the minimum bid price requirement by December 28, 2020 and the Nasdaq staff determines that we will not be able to cure the deficiency, or if we are otherwise not eligible for such additional compliance period, Nasdaq will provide notice that our common stock will be subject to delisting. We would have the right to appeal a determination to delist our common stock, and the common stock would remain listed on The Nasdaq Capital Market until the completion of the appeal process. If our common stock were no longer listed on The Nasdaq Capital Market, investors might only be able to trade on one of the over-the-counter markets. This would impair the liquidity of our common stock not only in the number of shares that could be bought and sold at a given price, which might be depressed by the relative illiquidity, but also through delays in the timing of transactions and reduction in media coverage. In addition, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities ;
- a limited amount of news and analyst coverage for us; and ;
- a decreased ability to issue additional securities or obtain additional financing in the future.

We may take actions to restore our compliance with Nasdaq's listing requirements, but we can provide no assurance that any such action taken by us would allow our common stock to become listed again, stabilize the market price or improve the liquidity of our common stock, or prevent future non-compliance with Nasdaq's listing requirements.

A decline in the price of our common stock could affect our ability to raise working capital and adversely impact our operations. Our operating results, including components of operating results such as gross margin and cost of product sales, may fluctuate from time to time, and such fluctuations could adversely affect our stock price. Our operating results have fluctuated in the past and can be expected to fluctuate from time to time in the future. The market price for our common stock may also be affected by our ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if minor, could materially adversely affect the market price of our common stock. A prolonged decline in the price of our common stock for any reason could result in a reduction in our ability to raise capital.

Our stock price has been volatile and we expect that it will continue to be volatile. For example, during the year ended June 30, 2020, the selling price of our common stock ranged from a high of $3.70 to a low of $0.63. The volatility of our stock price can be due to many factors, including:

- quarterly variations in our operating results;
- changes in the market’s expectations about our operating results;
- failure of our operating results to meet the expectation of securities analysts or investors in a particular period;
- changes in financial estimates and recommendations by securities analysts concerning us or the healthcare industry in general;
- strategic decisions by us or our competitors, such as acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends in our markets;
- changes in laws and regulations affecting our business;
- material announcements by us or our competitors;
- material announcements by the manufacturers and suppliers we use;
- sales of substantial amounts of our common stock by our directors, executive officers or significant shareholders or the perception that such sales could occur; and
- general economic and political conditions such as trade wars and tariffs, recession, and acts of war or terrorism.

The recent COVID-19 global pandemic has increased capital markets volatility . The global stock markets have experienced, and may continue to experience, significant volatility as a result of the COVID-19 pandemic, and the price of our common stock has been volatile in recent months. The COVID-19 pandemic and the significant uncertainties it has caused for the global economy, business activity, and business confidence have had, and is likely to continue to have, a significant effect on the market price of securities generally, including our securities. For example, in the 12 months ended June 30, 2020, the sales price on The Nasdaq Capital Market for our common stock ranged from a low of $0.63 to a high of $3.70 per share. Broad market and industry factors may seriously affect the market price of our common stock, regardless of our actual operating performance. The market price of our common stock may fluctuate significantly in response to a number of factors, most of which we cannot control, including, among others, the current and future public response and investor reaction to rumors or factual reports of global events, terrorism, outbreaks of disease and other natural disasters, such as the recent COVID-19 or coronavirus pandemic and the other factors discussed in this report and in our other reports and documents filed with the SEC.

Investors in our securities may experience substantial dilution upon the conversion of preferred stock to common, exercise of stock options and warrants, future issuances of stock, grants of restricted stock and the issuance of stock in connection with acquisitions of other companies. Our articles of incorporation authorize the issuance of up to 100,000,000 shares of common stock and 50,000,000 shares of preferred stock. Our Board of Directors has the authority to issue additional shares of common and preferred stock up to the authorized capital stated in the articles of incorporation. The Board may choose to issue some or all of such shares of common or preferred stock to acquire one or more businesses or to provide additional financing in the future. As of September 21, 2020, we had outstanding a total of 1,992,000 shares of Series A 8% Convertible Preferred Stock (the “Series A Preferred”), 1,459,000 shares of Series B Convertible Preferred Stock (the “Series B Preferred”), and 230,000 shares of Series C Non-Voting Convertible Preferred Stock (the “Series C Preferred”), as well as warrants for the purchase of approximately 6,738,500 shares of common stock. The Series A Preferred, Series B Preferred and Series C Preferred shares are convertible into a total of 3,681,000 shares of common stock. The conversion of these outstanding shares of preferred stock and the exercise of the warrants will result in substantial dilution to our common shareholders. In addition, from time to time, we have issued and we expect we will continue to issue stock options or restricted stock grants or similar awards to employees, officers, and directors pursuant to our equity incentive award plans. Investors in our equity securities may expect to experience dilution as these awards vest and are exercised by their holders and as the restrictions lapse on the restricted stock grants. We also may issue stock or stock purchase warrants for the purpose of raising capital to fund our growth initiatives, in connection with acquisitions of other companies, or in connection with the settlement of obligations or indebtedness, which would result in further dilution of existing shareholders. The issuance of any such shares of common or preferred stock may result in a reduction of the book value or market price of the outstanding shares of our common stock. If we do issue any such additional shares of common stock or securities convertible into or exercisable for the purchase of common stock, such issuance also will cause a reduction in the proportionate ownership and voting power of all other shareholders and may result in a change in control of the Company.

The stock markets (including the NASDAQ Capital Market, on which we list our common stock) have experienced significant price and volume fluctuations. As a result, the market price of our common stock could be similarly volatile, and investors in our common stock may experience a decrease in the value of their shares, including decreases unrelated to our financial condition, operating performance or prospects. The market price of our common stock could be subject to wide fluctuations in response to a number of factors, including strategic decisions by us or our competitors, such as acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy.

We are able to issue shares of preferred stock with greater rights and preferences than our common stock. Our Board of Directors is authorized to issue one or more series of preferred stock from time to time without any action on the part of our shareholders. The Board also has the power, without shareholder approval, to set the terms of any such series of preferred stock that may be issued, including voting rights, dividend rights and preferences over our common stock with respect to dividends and other terms. If we issue additional preferred stock in the future that has a preference over our common stock with respect to the payment of dividends or other terms, or if we issue additional preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the market price of our common stock would be adversely affected.

The holders of the Series A and Series B Preferred are entitled to receive dividends on the Series A and Series B Preferred they hold and depending on whether these dividends are paid in cash or stock, the payment of such dividends will either decrease cash that is available to us to invest in our business or dilute the holdings of other shareholders. Our agreements with the holders of the Series A and Series B Preferred provide that they will receive quarterly dividends at 8%, subject to adjustment as provided in the applicable declarations of the rights and preferences of these series of preferred stock. We may under certain circumstances elect to pay these dividends in stock. Payment of the dividends in cash decreases cash available to us for use in our business and the use of shares of common stock to pay these dividends results in dilution of our existing shareholders.

The concentration or potential concentration of equity ownership by Prettybrook Partners, LLC and its affiliates may limit your ability to influence corporate matters. As of June 30, 2020, Prettybrook Partners, LLC and its managing directors and affiliates (collectively “Prettybrook”), owned approximately *1,349,000* shares of common stock, 1,069,000 shares of Series A Preferred, and 300,000 shares of Series B Preferred. These securities represent approximately 15% of the voting power of our issued and outstanding equity securities. Under the terms of the Series A Preferred, by agreement with us and the remaining holders of the Series A Preferred, Prettybrook has the right to appoint up to three members of our seven-member Board of Directors (the Preferred Directors) and has appointed a non-voting observer to the Board. Moreover, the exercise of warrants issued to Prettybrook in the Series A Preferred financing and the Series B Preferred financing transactions in which Prettybrook was an investor could further enable Prettybrook to exert significant control over operations and influence over all corporate activities, including the election or removal of directors and the outcome of tender offers, mergers, proxy contests or other purchases of common stock that could give our shareholders the opportunity to realize a premium over the then-prevailing market price for their shares of common stock. This concentrated control will limit your ability to influence corporate matters and, as a result, we may take actions that our shareholders do not view as beneficial. In addition, such concentrated control could discourage others from initiating changes of control. In such cases, the perception of our prospects in the market and the market price of our common stock may be adversely affected.

Sales of a large number of our securities, or the perception that such sales might occur, could depress the market price of our common stock. A substantial number of shares of our equity securities are eligible for immediate resale in the public market. Any sales of substantial amounts of our securities in the public market, or the perception that such sales might occur, could depress the market price of our common stock.

Our ability to issue preferred stock could delay or prevent takeover attempts. As of September 21, 2020, we had 3,681,000 shares of convertible preferred stock outstanding and our Board of Directors has the authority to cause us to issue, without any further vote or action by the shareholders, up to approximately 46,319,000 additional shares of preferred stock, no par value per share, in one or more series, and 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 of preferred stock. In the event of issuance, the preferred stock could be used as a method of discouraging, delaying, deferring or preventing a change in control without further action by the shareholders, even where shareholders might be offered a premium for their shares. Although we have no present intention to issue any shares of our preferred stock, we may do so in the future under appropriate circumstances.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We lease an 85,000 square-foot manufacturing, warehouse, and office facility in Eagan, Minnesota, which houses our corporate headquarters and principal executive offices. This lease has an initial three-year term that commenced in October 2017, with monthly lease payments of $50,000. We may extend the lease under two, two-year optional extensions. We have extended the term of the lease through October 2022. The landlord is Bird & Cronin, Inc., from which we acquired the Bird & Cronin assets and operations in 2017. Stockholders of Bird & Cronin, Inc. include an employee of the Company. The lease was negotiated at arms' length as part of the applicable acquisition transaction. We believe that the terms of the agreement are commercially reasonable for the market in which the facility is located.

We lease a 60,000 square-foot manufacturing and office facility in Northvale, New Jersey to house our Hausmann Enterprises, LLC operations. The initial two-year term of this lease commenced in April 2017, with monthly lease payments of $30,000 for the first year and 2% increases in each subsequent year. The lease provides for two options to extend the term of the lease for two years per extension term, subject to annual 2% per year increases in base rent, and a third extension option at the end of the second option term for an additional five years at fair market value. We have exercised options to extend the term of the lease through April 2023. The landlord is a stockholder and the previous owner of the assets and operations acquired in 2017. The lease was negotiated at arms' length as part of the applicable acquisition transaction. We believe that the terms of the agreement are commercially reasonable for the market in which the facility is located.

We own a 53,000 square-foot manufacturing facility and undeveloped acreage in Chattanooga, Tennessee, subject to a mortgage requiring monthly payments to a bank of approximately $13,000 and maturing in 2021. The interest rate on this obligation is 6.4% per annum. We currently have this building for sale.

We lease a 36,000 square-foot manufacturing, warehouse, and office facility in Cottonwood Heights, Utah. We sold the building in August 2014, and now lease it back from the purchaser. The monthly lease payment is approximately $30,000 and the lease terminates in 2029. We account for the lease-back agreement as a finance lease which results in depreciation and implied interest expense each period, offset by an amortized gain on the sale of the property. Overall the net monthly occupancy cost of this lease is $29,000. We are currently exploring leasing a portion of the building to a third-party and have engaged a broker to assist us.

We believe the facilities described above are adequate for our current needs and that they will accommodate our presently expected growth and operating needs. As our business continues to grow, additional facilities or the expansion of existing facilities may be required.

We also own equipment used in the manufacture and assembly of our products and computer equipment. The nature of this equipment is not specialized and replacements may be readily obtained from any of a number of suppliers.

Item 3. Legal Proceedings

There are no pending legal proceedings of a material nature to which we are a party or to which any of our property is the subject.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

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,	**2020**		**2019**	
	High	**Low**	**High**	**Low**
1st Quarter (July-September)	$ 1.86	$ 1.00	$ 3.25	$ 2.65
2nd Quarter (October-December)	$ 1.28	$ 0.63	$ 2.99	$ 2.50
3rd Quarter (January-March)	$ 3.70	$ 0.81	$ 2.79	$ 1.96
4th Quarter (April-June)	$ 1.30	$ 0.63	$ 2.09	$ 1.21

Outstanding Common Shares and Number of Shareholders

As of September 21, 2020, we had approximately 14,096,252 shares of common stock issued and outstanding and approximately 400 shareholders of record, not including shareholders whose shares are held in "nominee" or "street" name by a bank, broker or other holder of record.

Dividends

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.

As of September 21, 2020, we had outstanding 1,992,000 shares of Series A Preferred, 1,459,000 shares of Series B Preferred, and 230,000 shares of Series C Preferred. These series of preferred stock have rights and preferences that rank senior to or in certain circumstances, on par with, our common stock. The declarations of the rights and preferences of these series of preferred stock contain covenants that prohibit us from declaring and distributing dividends on our common stock without first making all distributions that are due to any senior securities. Dividends payable on the Series A and the Series B Preferred accrue at the rate of 8% per year and are payable quarterly. We may, at our option under certain circumstances, make distributions of these dividends in cash or in shares of common stock. When possible, we pay dividends on the Series A and Series B Preferred in shares of common stock. The formula for paying these dividends in common stock can change the effective yield on the dividend to more or less than 8% depending on the market price of the common stock at the time of issuance.

Sales of Equity Securities

During the year ended June 30, 2020, we sold an aggregate of 3,200,585 shares of common stock. We incurred offering costs totaling $238,000, inclusive of commissions paid to the sales agents at a fixed rate of 3.0%, together with legal, accounting and filing fees. Net proceeds from the sale of the shares totaled $2,287,000.

Purchases of Equity Securities

We did not purchase any shares of common stock during the year ended June 30, 2020 or in the prior eight fiscal years.

Item 6. Selected Financial Data

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion contains assumptions, estimates and other forward-looking statements that involve a number of risks and uncertainties, including those discussed under the heading "Cautionary Note Regarding Forward-Looking Statements," on page 1 of this Form 10-K, "Risk Factors" (Part I, Item 1A of this Form 10-K) and elsewhere in this Form 10-K. These risks could cause our actual results to differ materially from those anticipated in these forward-looking statements.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and related Notes thereto, which are included in Part II, Item 8 of this report.

Overview

We design, manufacture, and sell a broad range of restorative products for clinical use in physical therapy, rehabilitation, orthopedics, pain management, and athletic training. Through our distribution channels, we market and sell to orthopedists, physical therapists, chiropractors, athletic trainers, sports medicine practitioners, clinics, hospitals, and consumers.

Results of Operations

Fiscal Year 2020 Compared to Fiscal Year 2019

Net Sales

Net sales in fiscal year 2020 decreased $9,156,000, or 14.6%, to $53,409,000, compared to net sales of $62,565,000 in fiscal year 2019. The year-over-year decrease is primarily due to the expected decline in sales due to stay-at-home policies and government restrictions in response to the COVID-19 pandemic, as well as the continued decline in physical therapy and rehabilitation product sales.

Gross Profit

Gross profit for the year ended June 30, 2020 decreased $4,076,000, or 21.3%, to $15,098,000, or 28.3% of net sales. By comparison, gross profit for the year ended June 30, 2019 was $19,174,000, or 30.6% of net sales. The year-over-year decrease in gross profit was attributable to: (1) lower sales which reduced gross profit by approximately $2,806,000 and (2) reduced gross margin percent which reduced gross profit by approximately $1,270,000. The year-over-year decrease in gross margin percentage to 28.3% from 30.6% was due primarily to lower efficiency of the production process as a result of lower sales.

Selling, General, and Administrative Expenses

Selling, general, and administrative ("SG&A") expenses decreased $1,879,000, or 9.4%, to $18,091,000 for the year ended June 30, 2020, compared to $19,970,000 for the year ended June 30, 2019. Selling expenses decreased $1,605,000 compared to the prior year period, due primarily to lower commission expense on lower sales and decreased sales management salaries during the year. General and administrative ("G&A") expenses decreased $274,000 compared to the prior-year period, driven by a $234,000 increase in severance expenses offset by a $508,000 decrease in other G&A expenses primarily related to lower payroll and benefits as a result of headcount reductions.

Interest Expense

Interest expense decreased approximately $76,000 in fiscal year 2020, to approximately $436,000, compared to approximately $512,000 in fiscal year 2019. The decrease in interest expense is primarily related to lower interest rates and lower average borrowings on our line of credit resulting in interest charges of $196,000 and $269,000 for the years ended June 30, 2020 and 2019, respectively. Another large component of interest expense is imputed interest related to the sale/leaseback of our corporate headquarters facility which totaled $156,000 and $167,000, respectively, for the years ended June 30, 2020 and 2019. Interest expense also included interest on the mortgage on our Tennessee property, imputed interest related to other capital leases, and interest paid on equipment loans for office furnishings and vehicles.

Net Loss Before Income Tax

Pre-tax loss for the year ended June 30, 2020 was $3,436,000 compared to $916 ,000 for the year ended June 30, 2019. The $2,519,000 increase in pre-tax loss was primarily attributable to a decrease of $4,076,000 in gross profit and an increase of $322,000 in net other expense, partially offset by a decrease of $1,879,000 in SG&A. The increase in net other expense was primarily attributable to a $375,000 gain on revaluation of the Bird & Cronin acquisition earn-out liability in the year ended June 30, 2019 partially offset by a decrease in interest expense.

Income Tax

Income tax benefit was $10,000 in fiscal year 2020, compared to an income tax provision of $ 5,000 in fiscal year 2019.

Net Loss

Net loss for the year ended June 30, 2020 was $3,425,000, compared to $922 ,000 for the year ended June 30, 2019. The reasons for the change in net loss are the same as those given under the headings *Net Loss Before Income Tax* and *Income Tax* in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A").

Net Loss Attributable to Common Stockholders

Net loss attributable to common stockholders increased $2,601,000 to $4,317,000 ($0.42 per share) for the year ended June 30, 2020, compared to $1,716,000 ($0.21 per share) for the year ended June 30, 2019. The increase in net loss attributable to common stockholders for the year is due primarily to: (1) a $2,503,000 increase in net loss ; (2) a $174,000 increase in deemed dividends on convertible preferred stock and accretion of discounts; and (3) a $77,000 decrease in preferred stock dividends.

Liquidity and Capital Resources

We have historically financed operations through cash from operating activities, available cash reserves, borrowings under a line of credit facility (see, *Line of Credit,* below) and proceeds from the sale of our equity securities. As of June 30, 2020, we had $2,216,000 in cash and cash equivalents, compared to $156,000 as of June 30, 2019. During fiscal year 2020, we had positive cash flows from operating activities.

Working capital was $8,396,000 as of June 30, 2020, compared to working capital of $5,638,000 as of June 30, 2019. The current ratio was 2.1 to 1 as of June 30, 2020 and 1.4 to 1 as of June 30, 2019. Current assets were 42.8% of total assets as of June 30, 2020, and 50.2% of total assets as of June 30, 2019.

We believe that our cash generated from operations, current capital resources including recent loan and equity proceeds, and available credit provide sufficient liquidity to fund operations for the next 12 months. However, the continuing effects of the COVID-19 pandemic could have an adverse effect on our liquidity and cash and we continue to evaluate and take action, as necessary, to preserve adequate liquidity and ensure that our business can continue to operate during these uncertain times.

In March 2020, we entered into an equity distribution agreement with Canaccord Genuity LLC and Roth Capital Partners LLC, pursuant to which we arranged to offer and sell shares of our common stock in an at-the-market offering (“ATM”) under a registration statement previously filed by us on Form S-3 with the Securities and Exchange Commission. On March 13, 2020, we filed a Prospectus Supplement amending the registration statement and commenced the ATM. Under the terms of the equity distribution agreement, we may sell shares of our common stock in an aggregate amount of up to $10,000,000, with Canaccord Genuity LLC and Roth Capital Partners LLC acting as our sales agents at the market prices prevailing on The Nasdaq Capital Market at the time of the sale of such shares. We will pay Canaccord Genuity LLC and Roth Capital Partners, LLC a fixed commission rate equal to 3.0% of the gross sale price per share of common stock sold.

In April 2020, we sold an aggregate of 3,200,585 shares of common stock under the equity distribution agreement in the ATM. We incurred offering costs totaling $238,000, inclusive of commissions paid to the sales agents at a fixed rate of 3.0%, together with legal, accounting and filing fees. Net proceeds from the sale of the shares totaled $2,287,000. Proceeds were used to strengthen our liquidity and working capital position.

On April 29, 2020, we entered into a promissory note (the “Note”) with Bank of the West to evidence a loan to the Company in the amount of $3,477,412 under the Paycheck Protection Program (the “PPP”) established under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), administered by the U.S. Small Business Administration (“SBA”).

In accordance with the requirements of the CARES Act, we expect to use the proceeds from the loan exclusively for qualified expenses under the PPP, including payroll costs, mortgage interest, rent and utility costs, as further detailed in the CARES Act and applicable guidance issued by the SBA. Interest will accrue on the outstanding balance of the Note at a rate of 1.00% per annum. We intend to apply for forgiveness of all amounts due under the Note, in an amount equal to the sum of qualified expenses under the PPP incurred during the 24 weeks following initial disbursement. Notwithstanding our expected eligibility to apply for forgiveness, no assurance can be given that we will obtain forgiveness of all or any portion of amounts due under the Note.

Subject to any forgiveness granted under the PPP, the Note is scheduled to mature two years from the date of initial disbursement under the Note and is payable in monthly installments beginning 10 months after the completion of the 24 week covered period. The Note may be prepaid at any time prior to maturity without penalty. The Note contains customary provisions related to events of default, including, among others, failure to make payments, bankruptcy, breaches of representations, significant changes in ownership, and material adverse effects. The occurrence of an event of default may result in the collection of all amounts owing under the Note, and/or filing suit and obtaining judgment against us. Our obligations under the Note are not secured by any collateral or personal guarantees.

Cash and Cash Equivalents and Restricted Cash

Our cash and cash equivalents and restricted cash position increased $2,060,000 to $2,316,000 as of June 30, 2020, compared to $256 ,000 as of June 30, 2019. The primary sources of cash in the year ended June 30, 2020, was $3,090,000 of net cash provided by operating activities, $2,287,000 net proceeds from issuance of common stock, and $3,477,000 proceeds from the PPP Note. Primary uses of cash included net payments of $5,528,000 under our line of credit and acquisition holdbacks of $500,000.

Accounts Receivable

Trade accounts receivable, net of allowance for doubtful accounts, decreased approximately $2,601,000, or 34.7%, to $4,894,000 as of June 30, 2020, from $7,495,000 as of June 30, 2019. The decrease was primarily due to a decline in sales in the year ended June 30, 2020. Trade accounts receivable represents amounts due from our customers including dealers and distributors, medical practitioners, clinics, hospitals, colleges, universities and sports teams. We believe that our estimate of the allowance for doubtful accounts is adequate based on our historical experience and relationships with our customers. Accounts receivable are generally collected within approximately 40 days of invoicing.

Inventories

Inventories, net of reserves, decreased $3,156,000, or 27.4%, to $8,372,000 as of June 30, 2020, compared to $11,528 ,000 as of June 30, 2019. The decrease was primarily due to steps taken to right-size incoming material purchases and adjust inventory management as part of our working capital plans in response to the impacts of COVID-19. During fiscal year 2020, we recorded in cost of goods sold, $460,000 in non-cash write-offs of inventory related to discontinued product lines, excess repair parts, product rejected for quality standards, and other non-performing inventory, compared to inventory write-offs of $0 in fiscal year 2019. We believe that our estimate of the allowance for inventory reserves is adequate based on our historical knowledge and product sales trends.

Accounts Payable

Accounts payable decreased approximately $976,000, or 24.5%, to $3,014,000 as of June 30, 2020, from $ 3,990,000 as of June 30, 2019. The decrease in accounts payable was driven primarily by a reduction in inventory purchases and timing of payments.

Line of Credit

We have a line of credit with Bank of the West (“Line of Credit”) available pursuant to a loan and security agreement, as amended (the “Loan and Security Agreement”), that matures on January 15, 2022. Our obligations under the Line of Credit are secured by a first-priority security interest in substantially all of our assets. The Line of Credit requires a lockbox arrangement and contains affirmative and negative covenants, including covenants that restrict our ability to, among other things, incur or guarantee indebtedness, incur liens, dispose of assets, engage in mergers and consolidations, make acquisitions or other investments, make changes in the nature of our business, and engage in transactions with affiliates. The agreement also contains financial covenants including a minimum monthly consolidated fixed charge coverage ratio which only applies when the excess availability amount under the Line of Credit is less than the greater of $1,000,000 or 10% of the borrowing base. As amended, the Loan and Security Agreement provides for revolving credit borrowings in an amount up to the lesser of $11,000,000 or the calculated borrowing base. The borrowing base is computed monthly and is equal to the sum of stated percentages of eligible accounts receivable and inventory, less a reserve. Amounts outstanding bear interest at LIBOR plus 2.25% (approximately 2.4% as of June 30, 2020). The Line of Credit is subject to a quarterly unused line fee of .25%.

As of June 30, 2020, we had borrowed $1,013,000 under the Line of Credit compared to total borrowings of $ 6,541,000 as of June 30, 2019. There was approximately $5,040,000 and $1,480,000 available to borrow as of June 30, 2020 and 2019, respectively .

Debt

Long-term debt increased approximately $3,302,000 to approximately $3,605,000 as of June 30, 2020, compared to approximately $303,000 as of June 30, 2019. Our long-term debt is primarily comprised of the PPP Note, mortgage loan on our office and manufacturing facility in Tennessee maturing in 2021, and also includes loans related to equipment and a vehicle. The principal balance on the PPP Note is $3,477,412, all of which is classified as long-term debt at June 30, 2020. The principal balance on the mortgage loan is approximately $91,000, all of which is classified as current portion of long-term debt at June 30, 2020, with monthly principal and interest payments of $13,000.

Finance Lease Liability

Finance lease liability as of June 30, 2020 and 2019 totaled approximately $2,914,000 and $3,199,000, respectively. Our capital lease obligations consist primarily of a capitalized building lease. In conjunction with the sale and leaseback of our Utah building in August 2014, we entered into a 15-year lease, classified as a finance lease, originally valued at $3,800,000. The building lease asset is amortized on a straight line basis over 15 years at approximately $252,000 per year. Total accumulated amortization related to the leased building is approximately $1,491,000 at June 30, 2020. The sale generated a profit of $2,300,000, which is being recognized straight-line over the life of the lease at approximately $150,000 per year as an offset to amortization expense. The balance of the deferred gain as of June 30, 2020 is $1,379,000. Lease payments, currently approximately $30,000, are payable monthly and increase annually by approximately 2% per year over the life of the lease. Imputed interest for the fiscal year ended June 30, 2020 was approximately $156,000. In addition to the Utah building, we lease certain equipment which have been determined to be finance leases. As of June 30, 2020, future minimum gross lease payments required under the capital leases were as follows:

2021	$ 465,624
2022	472,874
2023	445,280
2024	384,754
2025	392,446
Thereafter	1,720,902
Total	$ 3,881,880

Operating Lease Liability

Operating lease liability as of June 30, 2020 and June 30, 2019 totaled approximately $3,358,000 and $0, respectively. The operating lease liability was recorded upon the adoption of ASU No. 2016-02, Leases. Our operating lease liability consists primarily of building leases for office, manufacturing, warehouse and storage space.

Acquisition Holdback and Earn-Out Liability

Acquisition earn-out liability decreased $500,000 or 100.0%, to $0 as of June 30, 2020, from $500 ,000 as of June 30, 2019. The decrease is due to payments during the year ended June 30, 2020.

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 Plan

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 may periodically approve amounts for share repurchases under the plan. As of June 30, 2020, approximately $449,000 remained available under this authorization for purchases under the plan. No purchases have been made under this plan since September 28, 2011.

Critical Accounting Policies

This MD&A is based upon our Consolidated Financial Statements (see Part II, Item 8 below), which have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities. We regularly review our estimates and assumptions. The SEC has requested that all registrants address their most critical accounting policies. The SEC has indicated that a "critical accounting policy" is one which is both important to the representation of the registrant's financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We base our estimates on past experience and on various other assumptions our management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results will differ, and may differ materially from these estimates under different assumptions or conditions. Additionally, changes in accounting estimates could occur in the future from period to period. Our management has discussed the development and selection of our most critical financial estimates with the audit committee of our Board of Directors. The following paragraphs identify our most critical accounting policies:

Inventories

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, 2020, and 2019, our inventory valuation reserve balance, was approximately $568,000 and $139,000, respectively, and our inventory balance was $8,372,000 and $ 11,528,000, net of reserves, respectively.

Revenue Recognition

Our sales force and distributors sell Manufactured and Distributed Products to end users, including orthopedists, physical therapists, chiropractors, athletic trainers, sports medicine practitioners, clinics, hospitals, and consumers. Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied which occurs upon the transfer of control of a product. This occurs either upon shipment or delivery of goods, depending on whether the contract is FOB origin or FOB destination. Revenue is measured as the amount of consideration expected to be received in exchange for transferring products to a customer. Contracts sometimes allow for forms of variable consideration including rebates and incentives. In these cases, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring products to customers utilizing the most likely amount method. Rebates and incentives are estimated based on contractual terms or historical experience and a liability is maintained for rebates and incentives that have been earned but are unpaid. Revenue is reduced by estimates of potential future contractual discounts including prompt payment discounts. Provisions for contractual discounts are recorded as a reduction to revenue in the period sales are recognized. Estimates are made of the contractual discounts that will eventually be incurred. Contractual discounts are estimated based on negotiated contracts and historical experience. Shipping and handling activities are accounted for as fulfillment activities. As such, shipping and handling are not considered promised services to our customers. 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 $4,894,000 and $7,495,000, net of allowance for doubtful accounts of $185,000 and $90,000 as of June 30, 2020, and 2019, respectively.

Deferred Income Taxes

A valuation allowance is required when there is significant uncertainty as to the realizability of deferred tax assets. The realization of 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 our strategic plans will result in profitability.
- A majority of our tax attributes have indefinite carryover periods.

Negative evidence:

- We have nine years of cumulative losses as of June 30, 2020.

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 our results of operations in the period of reversal. As of June 30, 2019 and June 30, 2018, we recorded a full valuation allowance against our net deferred income tax assets. T he anticipated accumulated net operating loss carryforward as of June 30, 2020, is approximately $9,237,000, which will begin to expire in 2037.

Recent Accounting Pronouncements

See Note 1 to the Consolidated Financial Statements included in Item 8 of the Form 10-K for a description of recent accounting pronouncements.

Off-Balance Sheet Financing

We have no off-balance sheet debt or similar obligations. We have no transactions or obligations with related parties that are not disclosed, consolidated into or reflected in our reported results of operations or financial position. We do not guarantee any third-party debt.

Business Plan and Outlook

This past year our focus has been on driving profitability in our legacy business through multiple cost-reduction initiatives, while continuing to build our restorative products platform for long-term success. We are confident that the steps we have taken will position the company for success moving forward. In fiscal 2021 we are focused on executing our strategies as follows:

- Drive sales through enhancing our partnerships with key strategic accounts, optimizing our sales channels, demand generation, and continuing to deliver superior customer care;
- Increase our operating profitability through disciplined management of our financial ratios, cost reduction initiatives, and product portfolio management;
- Pursue merger and acquisition opportunities in our core markets through pipeline management, disciplined valuation, and superior execution; and
- Bolster our communication with the investor community through investor conferences, non-deal road shows, and calls with equity research analysts and investors.

We are actively pursuing an acquisition strategy to consolidate other manufacturers and distributors in our core markets (i.e. physical therapy, rehabilitation, orthopedics, pain management, and athletic training). We are primarily seeking candidates that fall into the following categories:

- Manufacturers in markets where we have a competitive advantage;
- Distributors that extend geographic reach or provide different channel access;
- Tuck-in manufacturers / distributors in adjacent markets; and
- Value-oriented businesses with growth potential, stable margins, and cash flow.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not Applicable.

Item 8. Financial Statements and Supplementary Data

Audited consolidated financial statements and related documents required by this item are included in this report on the pages indicated in the following table:

	Page
Report of Independent Registered Public Accounting Firm for the years ended June 30, 2020 and 2019	31
Consolidated Balance Sheets as of June 30, 2020 and 2019	32
Consolidated Statements of Operations for the years ended June 30, 2020 and 2019	33
Consolidated Statements of Stockholders' Equity for the years ended June 30, 2020 and 2019	34
Consolidated Statements of Cash Flows for the years ended June 30, 2020 and 2019	35
Notes to Consolidated Financial Statements	36

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Dynatronics Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Dynatronics Corporation and subsidiaries (the "Company") as of June 30, 2020 and 2019, the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended June 30, 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risk of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since October 24, 2016.

/s/ Tanner LLC

Salt Lake City, Utah
September 24, 2020

DYNATRONICS CORPORATION
Consolidated Balance Sheets
As of June 30, 2020 and 2019

Assets	**2020**	**2019**
Current assets:		
Cash and cash equivalents	$ 2,215,665	$ 155,520
Restricted cash	100,636	100,510
Trade accounts receivable, less allowance for doubtful accounts of $184,713 and $89,500 as of June 30, 2020 and June 30, 2019, respectively	4,893,861	7,495,309
Inventories, net	8,371,842	11,527,521
Prepaid expenses and other receivables	492,704	634,837
Total current assets	16,074,708	19,913,697
Property and equipment, net	4,941,517	5,677,419
Operating lease assets	3,347,378	-
Intangible assets, net	5,682,991	6,407,374
Goodwill	7,116,614	7,116,614
Other assets	433,109	516,841
Total assets	$ 37,596,317	$ 39,631,945
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 3,013,949	$ 3,989,546
Accrued payroll and benefits expense	1,204,964	1,373,481
Accrued expenses	768,117	1,038,726
Warranty reserve	221,854	207,988
Line of credit	1,012,934	6,540,639
Current portion of long-term debt	108,713	173,921
Current portion of finance lease liability	316,103	283,781
Current portion of deferred gain	150,448	150,448
Current portion of operating lease liability	852,419	-
Current portion of acquisition earn-out liability	-	500,000
Income tax payable	29,196	16,751
Total current liabilities	7,678,697	14,275,281
Long-term debt, net of current portion	3,496,222	129,428
Finance lease liability, net of current portion	2,597,525	2,915,241
Deferred gain, net of current portion	1,228,658	1,379,105
Operating lease liability, net of current portion	2,505,232	-
Deferred tax liabilities, net	-	-
Other liabilities	194,102	177,181
Total liabilities	17,700,436	18,876,236
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, no par value: Authorized 50,000,000 shares; 3,681,000 shares and 4,899,000 shares issued and outstanding as of June 30, 2020 and June 30, 2019, respectively	8,770,798	11,641,816
Common stock, no par value: Authorized 100,000,000 shares; 13,803,855 shares and 8,417,793 shares issued and outstanding as of June 30, 2020 and June 30, 2019, respectively	27,474,411	21,320,106
Accumulated deficit	(16,349,328)	(12,206,213)
Total stockholders' equity	19,895,881	20,755,709
Total liabilities and stockholders' equity	$ 37,596,317	$ 39,631,945

See accompanying notes to consolidated financial statements.

DYNATRONICS CORPORATION
Consolidated Statements of Operations
For the Years Ended June 30, 2020 and 2019

	2020	2019
Net sales	$ 53,409,046	$ 62,565,117
Cost of sales	38,311,169	43,391,518
Gross profit	15,097,877	19,173,599
Selling, general, and administrative expenses	18,091,038	19,969,696
Operating loss	(2,993,161)	(796,097)
Other (expense) income:		
Interest expense, net	(435,607)	(512,186)
Other (expense) income, net	(6,782)	392,035
Net other expense	(442,389)	(120,151)
Loss before income taxes	(3,435,550)	(916,248)
Income tax benefit (provision)	10,067	(5,474)
Net loss	(3,425,483)	(921,722)
Deemed dividend on convertible preferred stock and accretion of discount	(173,758)	-
Preferred stock dividend, in common stock, issued or to be issued	(717,632)	(794,350)
Net loss attributable to common stockholders	$ (4,316,873)	$ (1,716,072)
Net loss per common share		
Basic and diluted	$ (0.42)	$ (0.21)
Weighted-average common shares outstanding:		
Basic and diluted	10,262,769	8,246,188

See accompanying notes to consolidated financial statements.

DYNATRONICS CORPORATION
Condensed Consolidated Statements of Stockholders' Equity
For the Years Ended June 30, 2020 and 2019

	Common stock		Preferred stock		Accumulated	Total stockholders'
	Shares	Amount	Shares	Amount	deficit	equity
Balance at June 30, 2018	8,089,398	$20,225,107	4,899,000	$11,641,816	$(10,490,141)	$21,376,782
Stock-based compensation	63,998	300,649	-	-	-	300,649
Preferred stock dividend, in common stock, issued or to be issued	302,105	794,350	-	-	(794,350)	-
Reduction in equity retained for acquisition holdback	(37,708)	-	-	-	-	-
Net loss	-	-	-	-	(921,722)	(921,722)
Balance at June 30, 2019	8,417,793	$21,320,106	4,899,000	$11,641,816	$(12,206,213)	$20,755,709
Stock-based compensation	236,885	278,716	-	-	-	278,716
Preferred stock dividend, in common stock, issued or to be issued	730,592	717,632	-	-	(717,632)	-
Preferred stock converted to common stock	1,218,000	2,871,018	(1,218,000)	(2,871,018)	-	-
Issuance of common stock, net of issuance costs of $238,168	3,200,585	2,286,939	-	-	-	2,286,939
Preferred stock beneficial conversion and accretion of discount	-	-	-	173,758	-	173,758
Dividend of beneficial conversion and accretion of discount	-	-	-	(173,758)	-	(173,758)
Net loss	-	-	-	-	(3,425,483)	(3,425,483)
Balance at June 30, 2020	13,803,855	$27,474,411	3,681,000	$ 8,770,798	$(16,349,328)	$19,895,881

See accompanying notes to consolidated financial statements.

DYNATRONICS CORPORATION
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Net loss	$ (3,425,483)	$ (921,722)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	1,013,513	887,013
Amortization of intangible assets	724,383	724,384
Amortization of other assets	30,518	40,635
Loss on sale of property and equipment	37,530	2,177
Stock-based compensation expense	278,716	300,649
Change in allowance for doubtful accounts receivable	95,213	(280,800)
Change in allowance for inventory obsolescence	429,529	(319,836)
Amortization deferred gain on sale/leaseback	(150,447)	(150,448)
Change in fair value of earn-out liability	-	(375,000)
Change in operating assets and liabilities:		
Trade accounts receivable	2,506,235	646,380
Inventories	2,726,150	(458,936)
Prepaid expenses and other receivables	142,133	146,593
Other assets	53,214	(24,603)
Income tax payable	12,445	112,252
Accounts payable, accrued expenses, and other current liabilities	(1,383,936)	(3,062)
Net cash provided by operating activities	3,089,713	325,676
Cash flows from investing activities:		
Purchase of property and equipment	(292,359)	(224,111)
Net cash used in investing activities	(292,359)	(224,111)
Cash flows from financing activities:		
Proceeds from long-term debt	3,477,412	-
Principal payments on long-term debt	(175,826)	(164,002)
Principal payments on finance lease liability	(297,903)	(252,738)
Payment of acquisition earn-out liability and holdbacks	(500,000)	(1,379,513)
Net change in line of credit	(5,527,705)	254,602
Proceeds from issuance of common stock, net	2,286,939	-
Net cash used in financing activities	(737,083)	(1,541,651)
Net change in cash and cash equivalents and restricted cash	2,060,271	(1,440,086)
Cash and cash equivalents and restricted cash at beginning of the period	256,030	1,696,116
Cash and cash equivalents and restricted cash at end of the period	$ 2,316,301	$ 256,030
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 454,179	$ 515,634
Supplemental disclosure of non-cash investing and financing activities:		
Deemed dividend on convertible preferred stock and accretion of discount	173,758	-
Preferred stock dividend, in common stock, issued or to be issued	717,632	794,350
Inventory reclassified to demonstration equipment	-	239,106
Conversion of preferred stock to common stock	2,871,018	-
Finance lease obligations incurred to obtain ROU assets	12,509	252,493
Operating lease obligations incurred to obtain ROU assets	4,203,925	-

See accompanying notes to consolidated financial statements.

Note 1. Basis of Presentation and Summary of Significant Accounting Policies

Description of Business

Dynatronics Corporation ("Company," "Dynatronics") is a leading medical device company committed to providing high-quality restorative products designed to accelerate optimal health. The Company designs, manufactures, and sells a broad range of restorative products for clinical use in physical therapy, rehabilitation, orthopedics, pain management, and athletic training. Through its distribution channels, Dynatronics markets and sells to orthopedists, physical therapists, chiropractors, athletic trainers, sports medicine practitioners, clinics, hospitals, and consumers.

Principles of Consolidation

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

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included within cash and cash equivalents are deposits in-transit from banks for payments related to third-party credit card and debit card transactions. Cash and cash equivalents totaled approximately $2,216,000 and $156,000 as of June 30, 2020 and 2019, respectively. Restricted cash totaled approximately $101,000 as of June 30, 2020 and 2019, and consisted of a certificate of deposit.

Inventories

Finished goods inventories are stated at the lower of standard cost, which approximates actual cost using the first-in, first-out method, or net realizable value. Raw materials are stated at the lower of cost (first-in, first-out method) or net realizable value. The Company periodically reviews the value of items in inventory and records write-downs or write-offs based on its assessment of slow moving or obsolete inventory. The Company maintains a reserve for obsolete inventory and generally makes inventory value adjustments against the reserve.

Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest, although finance charges may be applied to past due accounts. The Company maintains an allowance for doubtful accounts that is the Company's estimate of credit risk in the Company's existing accounts receivable. The Company determines the allowance based on a combination of statistical analysis, historical collection patterns, customers' current credit worthiness, the age of account balances, and general economic conditions. All account balances are reviewed on an individual basis. Account balances are charged against the allowance when the potential for recovery is considered remote. Recoveries of accounts previously written off are recognized when payment is received.

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 improvements are depreciated over estimated useful lives that range from 5 to 31 years. Leasehold improvements are amortized over the remaining term of the respective building lease. Machinery, office equipment, computer equipment and software and vehicles are depreciated over estimated useful lives that range from 3 to 7 years.

Goodwill

Goodwill resulted from the Hausmann and Bird & Cronin acquisitions. Goodwill in a business combination represents the purchase price in excess of identifiable tangible and intangible assets. Goodwill and intangible assets that have an indefinite useful life are not amortized. Instead they are reviewed periodically for impairment.

The Company evaluates goodwill on an annual basis in the fourth quarter or more frequently if management believes indicators of impairment exist. Such indicators could include, but are not limited to (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If management concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, management conducts a quantitative goodwill impairment test. The impairment test involves comparing the fair value of the applicable reporting unit with its carrying value. The Company estimates the fair values of its reporting units using a combination of the income, or discounted cash flows, approach and the market approach, which utilizes comparable companies' data. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The Company's evaluation of goodwill completed during the year resulted in no impairment losses.

Long-Lived Assets

Long–lived assets 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 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 are separately presented in the balance sheet at the lower of net book value or fair value less estimated disposition costs, and are no longer depreciated.

Intangible Assets

Costs associated with the acquisition of trademarks, certain 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. Trade names determined to have an indefinite life are not amortized, but are required to be tested for impairment and written down, if necessary. The Company assesses indefinite lived intangible assets for impairment each fiscal year or more frequently if events and circumstances indicate impairment may have occurred.

Leases

Management determines if a contract is or contains a lease at inception or modification of a contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Control over the use of the identified asset means the lessee has both (a) the right to obtain substantially all of the economic benefits from the use of the asset and (b) the right to direct the use of the asset. Such assets are classified as right-of-use ("ROU") assets with a corresponding lease liability.

Finance and operating lease ROU assets and liabilities are recorded at commencement at the present value of future minimum lease payments over the expected lease term. As the implicit discount rate for the present value calculation is not determinable in most of the Company's leases, management uses the Company's incremental borrowing rate based on the information available at commencement of the lease. The expected lease terms include options to extend the lease when it is reasonably certain the Company will exercise such options. Lease expense for minimum lease payments is recognized on a straight-line basis over the expected lease term. Leases with an expected term of 12 months or less are not accounted for on the balance sheet and the related lease expense is recognized on a straight-line basis over the expected lease term.

The Company has operating and finance leases for various administrative, manufacturing, and distribution facilities and equipment. Most of the Company's leases include one or more options to renew and extend the lease term two years to five years. The exercise of lease renewal options is typically at the Company's sole discretion, however, as a material economic incentive to exercise the option exists, the majority of renewals to extend the lease terms are included in the ROU assets and lease liabilities as they are reasonably certain of exercise. The Company's lease agreements do not contain any material non-lease components, residual value guarantees, or material restrictive covenants.

Revenue Recognition

The Company recognizes revenue when performance obligations under the terms of a contract with a customer are satisfied which occurs upon the transfer of control of a product. This occurs either upon shipment or delivery of goods, depending on whether the contract is FOB origin or FOB destination. Revenue is measured as the amount of consideration expected to be received in exchange for transferring products to a customer. Contracts sometimes allow for forms of variable consideration including rebates and incentives. In these cases, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring products to customers utilizing the most likely amount method. Rebates and incentives are estimated based on contractual terms or historical experience and a liability is maintained for rebates and incentives that have been earned but are unpaid. Revenue is reduced by estimates of potential future contractual discounts including prompt payment discounts. Provisions for contractual discounts are recorded as a reduction to revenue in the period sales are recognized. Estimates are made of the contractual discounts that will eventually be incurred. Contractual discounts are estimated based on negotiated contracts and historical experience. Shipping and handling activities are accounted for as fulfillment activities. As such, shipping and handling are not considered promised services to our customers. Costs for shipping and handling of products to customers are recorded as cost of sales.

Research and Development Costs

Research and development ("R&D") costs are expensed as incurred. R&D expense for the years ended June 30 , 2020 and 2019 totaled $95,000 and $54,000, respectively. R&D expense is included in selling, general, and administrative expenses in the consolidated statements of operations.

Product Warranty Costs

The Company provides a warranty on all products it manufactures for time periods ranging in length from 90 days to five years from the date of sale. 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. The Company maintains a reserve for estimated product warranty costs to be incurred related to products previously sold.

Net 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 potential common shares outstanding during the year. Convertible preferred stock, stock options and warrants are considered to be potential common shares. 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 potential common share outstanding during the year, unless inclusion of potential common shares would have an anti-dilutive effect.

Outstanding options, warrants and convertible preferred stock for common shares not included in the computation of diluted net loss per common share because they were anti-dilutive, totaled 11,211,018 as of June 30, 2020 and 11,764,083 as of June 30, 2019.

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 applicable accounting standards. 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. 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.

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award determined by using the Black-Scholes option-pricing model and is recognized as expense over the applicable vesting period of the stock award (zero to five years) using the straight-line method.

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.

As of June 30, 2020 and 2019, the Company had approximately $2,100,000 and $ 0, respectively, in cash and cash equivalents in excess of federally insured limits. The Company has not experienced any losses in such accounts.

Certain of the Company's employees are covered by a collective bargaining agreement. As of June 30, 2020, approximately 19% of the Company's employees were covered by a collective bargaining agreement scheduled to expire in 2022.

Operating Segments

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

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 U.S. GAAP. Significant items subject to such estimates and assumptions include the impairment and useful lives of long-lived assets; valuation allowances for doubtful accounts receivables, deferred income taxes, and obsolete inventories; accrued product warranty costs; and fair values of assets acquired and liabilities assumed in an acquisition. Actual results could differ from those estimates.

Reclassification

Certain amounts in the prior year's consolidated balance sheet have been reclassified for comparative purposes to conform to the presentation in the current year's consolidated balance sheet.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases* ("Topic 842"). This guidance replaces the prior lease accounting guidance in its entirety. The underlying principle of the new standard is the recognition of ROU assets and lease liabilities by lessees for substantially all leases. The standard also requires additional quantitative and qualitative disclosures. The Company adopted Topic 842 as of July 1, 2019 using a modified retrospective method. Under this method, financial results reported in periods prior to July 1, 2019 are unchanged. The Company elected the ‘package of practical expedients’ which permits the Company to carryforward the historical lease classification. Adoption of the standard resulted in the recording of additional ROU assets and lease liabilities for operating leases of $4,203,925 as of July 1, 2019. The adoption of this guidance did not have an impact on net loss.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes* (“Topic 740”): *Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. The standard is effective for annual periods beginning after December 15, 2020 and interim periods within, with early adoption permitted. Adoption of the standard requires certain changes to be made prospectively, with some changes to be made retrospectively. The Company is currently assessing the impact of this standard on its financial condition and results of operations.

In August 2020, the FASB issued ASU 2020-06, Debt— *Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*, which is intended to simplify the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity’s own equity. The guidance allows for either full retrospective adoption or modified retrospective adoption. The guidance is effective for the Company in the first quarter of fiscal year 2025 and early adoption is permitted. The Company is evaluating the impact of adoption of this guidance will have on its consolidated financial statements.

Note 2. Acquisitions

On October 2, 2017, the Company, through its wholly-owned subsidiary Bird & Cronin, LLC, completed the purchase of substantially all of the assets of Bird & Cronin, Inc. (“Bird & Cronin”), a manufacturer and distributor of orthopedic soft bracing products. The purchase price was subject to an earn-out payment ranging from $500,000 to $1,500,000, based on future sales. The earn-out liability was reduced by $375,000 in fiscal year 2019, with the change in the fair value of the earn-out liability being included in other income in the accompanying consolidated statements of operations. The earn-out liability was $0 and $500,000 as of June 30, 2020 and 2019, respectively, reflecting payments during the year ended June 30, 2020 totaling $500,000 .

Note 3. Inventories

Inventories consist of the following as of June 30:

	2020	2019
Raw materials	$ 4,798,489	$ 5,830,140
Work in process	427,744	706,128
Finished goods	3,713,692	5,129,806
Inventory reserve	(568,083)	(138,553)
	$ 8,371,842	$11,527,521

Included in cost of goods sold for the years ended June 30, 2020 and 2019, are inventory write-offs of $460,000 and $0, respectively. The write-offs reflect inventories related to discontinued product lines, excess repair parts, product rejected for quality standards, and other non-performing inventories.

Note 4. Property and Equipment

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

	2020	2019
Land	$ 30,287	$ 30,287
Buildings	5,725,928	5,590,566
Machinery and equipment	2,647,507	2,602,760
Office equipment	336,942	322,297
Computer equipment	2,585,469	2,445,488
Vehicles	109,560	109,560
	11,435,693	11,200,958
Less accumulated depreciation and amortization	(6,494,176)	(5,523,539)
	$ 4,941,517	$ 5,677,419

Depreciation expense for the years ended June 30, 2020 and 2019 was $662,239 and $586,243, respectively.

Included in the above caption, “Buildings” as of June 30, 2020 and 2019 is a building lease that is accounted for as a finance lease asset (see Notes 9 and 10) with a gross value of $3,800,000.

Note 5. Intangible Assets

Identifiable intangible assets, other than goodwill, consisted of the following as of and for the years ended June 30, 2020 and 2019:

	Trade name - indefinite life	Trade name	Non-compete covenant	Customer relationships	Total
Gross carrying amount					
June 30, 2018	$1,084,000	$270,600	$473,400	$6,243,400	$8,071,400
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
June 30, 2019	1,084,000	270,600	473,400	6,243,400	8,071,400
Accumulated Amortization					
June 30, 2018	$ -	$190,190	$136,600	$ 612,852	$939,642
Additions	-	17,290	87,600	619,494	724,384
Disposals	-	-	-	-	-
June 30, 2019	-	207,480	224,200	1,232,346	1,664,026
Net book value at June 30, 2019	$1,084,000	$ 63,120	$249,200	$5,011,054	$6,407,374

	Trade name - indefinite life	Trade name	Non-compete covenant	Customer relationships	Total
Gross carrying amount					
June 30, 2019	$1,084,000	$ 270,600	$ 473,400	$6,243,400	$8,071,400
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
June 30, 2020	1,084,000	270,600	473,400	6,243,400	8,071,400
Accumulated Amortization					
June 30, 2019	$ -	$ 207,480	$ 224,200	$1,232,346	$1,664,026
Additions	-	17,290	87,600	619,493	724,383
Disposals	-	-	-	-	-
June 30, 2020	-	224,770	311,800	1,851,839	2,388,409
Net book value at June 30, 2020	$1,084,000	$ 45,830	$ 161,600	$4,391,561	$5,682,991

Amortization expense associated with the intangible assets was $724,383 for the fiscal years ended June 30, 2020 and 2019. Estimated future amortization expense for the identifiable intangible assets is expected to be as follows for the years ending June 30:

2021	$ 724,383
2022	706,633
2023	624,700
2024	620,550
2025	620,550
Thereafter	1,302,175
Total	$ 4,598,991

Note 6. Warranty Reserve

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

	2020	2019
Beginning warranty reserve balance	$ 207,988	$ 205,850
Warranty costs incurred	(23,646)	(87,848)
Warranty expense accrued	37,512	89,986
Ending warranty reserve	$ 221,854	$ 207,988

Note 7. Line of Credit

The Company has a line of credit with Bank of the West ("Line of Credit") available pursuant to a loan and security agreement, as amended (the "Loan and Security Agreement"), that matures on January 15, 2022. The Company's obligations under the Line of Credit are secured by a first-priority security interest in substantially all of the Company's assets. The Line of Credit requires a lockbox arrangement and contains affirmative and negative covenants, including covenants that restrict the Company's ability to, among other things, incur or guarantee indebtedness, incur liens, dispose of assets, engage in mergers and consolidations, make acquisitions or other investments, make changes in the nature of its business, and engage in transactions with affiliates. The agreement also contains financial covenants including a minimum monthly consolidated fixed charge coverage ratio which only applies when the excess availability amount under the Line of Credit is less than the greater of $1,000,000 or 10% of the borrowing base. As amended, the Loan and Security Agreement provides for revolving credit borrowings in an amount up to the lesser of $11,000,000 or the calculated borrowing base. The borrowing base is computed monthly and is equal to the sum of stated percentages of eligible accounts receivable and inventory, less a reserve. Amounts outstanding bear interest at LIBOR plus 2.25% (approximately 2.4% as of June 30, 2020). The Line of Credit is subject to a quarterly unused line fee of .25%.

Borrowings on the Line of Credit were $ 1,012,934 and $ 6,540,639 as of June 30, 2020 and June 30, 2019, respectively. As of June 30, 2020, there was approximately $5,040,000 available to borrow.

Note 8. Long-Term Debt

As of June 30, 2020 and 2019, long-term debt was $3,604,935 and $303,349, respectively. Long-term debt is primarily comprised of the mortgage loan on the Company's office and manufacturing facility in Tennessee maturing in 2021 and Paycheck Protection Program (the “PPP”) loan.

On April 29, 2020, the Company entered into a promissory note (the “Note”) with Bank of the West to evidence a loan to the Company in the amount of $3,477,412 under the PPP established under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), administered by the U.S. Small Business Administration (“SBA”).

In accordance with the requirements of the CARES Act, the Company expects to use the proceeds from the loan exclusively for qualified expenses under the PPP, including payroll costs, mortgage interest, rent and utility costs, as further detailed in the CARES Act and applicable guidance issued by the SBA. Interest will accrue on the outstanding balance of the Note at a rate of 1.00% per annum. The Company intends to apply for forgiveness of all amounts due under the Note, in an amount equal to the sum of qualified expenses under the PPP incurred during the 24 weeks following initial disbursement. Notwithstanding the Company's expected eligibility to apply for forgiveness, no assurance can be given that the Company will obtain forgiveness of all or any portion of amounts due under the Note.

Subject to any forgiveness granted under the PPP, the Note is scheduled to mature two years from the date of initial disbursement under the Note and is payable in monthly installments beginning 10 months after the completion of the 24 week covered period. The Note may be prepaid at any time prior to maturity without penalty. The Note contains customary provisions related to events of default, including, among others, failure to make payments, bankruptcy, breaches of representations, significant changes in ownership, and material adverse effects. The occurrence of an event of default may result in the collection of all amounts owing under the Note, and/or filing suit and obtaining judgment against us. The Company's obligations under the Note are not secured by any collateral or personal guarantees.

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

	2020	2019
6.44% promissory note secured by trust deed on real property, maturing January 2021, payable in monthly installments of $13,278	$ 90,979	$ 239,229
5.99% promissory note secured by a vehicle, payable in monthly installments of $833 through December 2020	4,914	14,311
5.01% promissory note secured by copier equipment, payable in monthly installments of $924 through October 2022	24,363	33,965
3.99% promissory note secured by equipment, payable in monthly installments of $247 through February 2023	7,267	9,886
3.97% promissory note secured by equipment, payable in monthly installments of $242 through February 2021	-	4,668
7.56% promissory note secured by copier equipment, payable in monthly installments of $166 through February 2020	-	1,290
1.00% Paycheck Protection Program promissory note maturing April 2022	3,477,412	-
	3,604,935	303,349
Less current portion	(108,713)	(173,921)
	$ 3,496,222	$ 129,428

The aggregate maturities of long-term debt for each of the years subsequent to June 30, 2020 are as follows:

2021	$ 108,713
2022	3,490,860
2023	5,362
Total	$ 3,604,935

Note 9. Leases

Leases recorded on the balance sheet consist of the following:

	Classification on the Balance Sheet	June 30, 2020	June 30, 2019
Lease Assets			
Operating lease assets	Operating lease assets, net	$ 3,347,378	$ -
Finance lease assets	Property and equipment, net	$ 2,550,102	$ 2,875,188
Lease Liabilities			
Current			
Operating	Current portion of operating lease liability	$ 852,419	$ -
Finance	Current portion of finance lease liability	$ 316,103	$ 283,781
Noncurrent			
Operating	Operating lease liability, net of current portion	$ 2,505,232	$ -
Finance	Finance lease liability, net of current portion	$ 2,597,525	$ 2,915,241

Other information related to lease term and discount rate is as follows:

	June 30, 2020
Weighted Average Remaining Lease Term	
Operating leases	3.8 years
Finance leases	8.6 years
Weighted Average Discount Rate	
Operating leases	4.6%
Finance leases	5.7%

The components of lease expense are as follows:

	Classification on the Statement of Operations	Year Ended June 30, 2020
Operating lease cost		
Operating lease cost	Cost of sales	$ 282,060
Operating lease cost	Selling, general, and administrative expenses	764,590
Short term lease cost	Selling, general, and administrative expenses	63,000
Finance lease cost		
Amortization of finance lease assets	Cost of sales	$ 142,680
Amortization of finance lease assets	Selling, general, and administrative expenses	196,102
Interest on finance lease liabilities	Interest expense, net	175,913
Total lease cost		$ 1,624,345

Supplemental cash flow information related to leases is as follows:

	Year Ended June 30, 2020
ROU assets obtained in exchange for lease liabilities:	
Operating leases	$ 4,203,925
Financing leases	$ 12,509

Future minimum lease payments are summarized as follows:

	Operating Leases	Finance Leases
Year ending June 30,		
2021	$ 959,721	$ 465,624
2022	600,000	472,874
2023	150,000	445,280
2024	-	384,754
2025	-	392,446
Thereafter	-	1,720,902
Total future minimum lease payments	$ 1,709,721	$ 3,881,880
Imputed interest		772,836
Deferred rent		195,416

In September 2020, we exercised the option to extend the term of the New Jersey facility operating lease by two years through April 2023. The annual minimum lease payment for this facility is approximately $390,000.

The Company leases office, manufacturing and warehouse facilities in Northvale, New Jersey; and Eagan, Minnesota from employees, shareholders, and entities controlled by shareholders, who were previously principals of businesses acquired by the Company. The combined expenses associated with these related-party transactions totaled $1,046,677 and $1,041,187 for the years ended June 30, 2020 and 2019, respectively.

Note 10. Deferred Gain

On August 8, 2014, the Company sold the property that houses its operations in Utah and leased back the premises for a term of 15 years. The sale price was $3.8 million.

The sale of the building resulted in a $2,269,255 gain, which is recorded in the consolidated balance sheets as deferred gain that is being recognized as an offset to amortization in selling, general and administrative expenses over the 15 year life of the lease on a straight line basis. The balance of the deferred gain was as follows as of June 30:

	2020	2019
Balance of deferred gain	$ 1,379,106	$ 1,529,553
Less current portion	(150,448)	(150,448)
	$ 1,228,658	$ 1,379,105

Note 11. Income Taxes

Income tax benefit (provision) are as follows for the years ended June 30:

	Current	Deferred	Total
2020:			
U.S. federal	$ 9,853	$ -	$ 9,853
State and local	214	-	214
	$ 10,067	$ -	$ 10,067
2019:			
U.S. federal	$ -	$ -	$ -
State and local	(5,474)	-	(5,474)
	$ (5,474)	$ -	$ (5,474)

The components of the Company's income tax benefit (provision) are as follows for the years ended June 30:

	2020	2019
Expected tax benefit	$ 737,981	$ 183,655
State taxes, net of federal tax benefit	127,620	30,705
Valuation allowance	(840,027)	(237,690)
Incentive stock options	(22,546)	(8,812)
Other, net	7,039	26,668
	$ 10,067	$ (5,474)

The Company's deferred income tax assets and (liabilities) related to the tax effects of temporary differences are as follows as of June 30:

	2020	2019
Net deferred income tax assets (liabilities):		
Inventory capitalization for income tax purposes	$ 75,866	$ 86,197
Inventory reserve	136,352	36,024
Accrued employee benefit reserve	89,800	90,536
Warranty reserve	57,682	54,076
Interest expense limitation	206,117	126,916
Allowance for doubtful accounts	53,472	29,292
Property and equipment, principally due to differences in depreciation	(136,266)	(151,146)
Research and development credit carryover	599,409	609,391
Other intangibles	(278,321)	(205,549)
Deferred gain on sale lease-back	501,791	527,340
Operating loss carry forwards	2,403,886	1,666,684
Valuation allowance	(3,709,788)	(2,869,761)
Total deferred income tax assets (liabilities)	$ -	$ -

Quarterly, the Company assesses the likelihood by jurisdiction that its net deferred income tax assets will be recovered. Based on the weight of all available evidence, both positive and negative, the Company records a valuation allowance against deferred income tax assets when it is more-likely-than-not that a future tax benefit will not be realized. When there is a change in judgment concerning the recovery of deferred income tax assets in future periods, a valuation allowance is recorded into earnings during the quarter in which the change in judgment occurred. As of June 30, 2020 and 2019, the Company has established a full valuation allowance.

The anticipated accumulated net operating loss carryforward as of June 30, 2020, is approximately $9,237,000, which will begin to expire in 2037. The Company has no uncertain tax positions as of June 30, 2020.

Note 12. Major Customers and Sales by Geographic Location

During the fiscal years ended June 30, 2020 and 2019, no sales to any single customer exceeded 10% of total net sales.

The Company exports products to approximately 30 countries. Sales outside North America totaled approximately $1,286,000 or 2.4% of net sales, for the fiscal year ended June 30, 2020, compared to $1,435,000 or 2.3% of net sales, for the fiscal year ended June 30, 2019.

Note 13. Common Stock and Common Stock Equivalents

In March 2020, The Company entered into an equity distribution agreement with Canaccord Genuity LLC and Roth Capital Partners LLC, pursuant to which the Company arranged to offer and sell shares of common stock in an at-the-market offering ("ATM") under a registration statement previously filed on Form S-3 with the Securities and Exchange Commission. On March 13, 2020, the Company filed a Prospectus Supplement amending the registration statement and commenced the ATM. Under the terms of the equity distribution agreement, the Company may sell shares of common stock in an aggregate amount of up to $10,000,000, with Canaccord Genuity LLC and Roth Capital Partners LLC acting as our sales agents at the market prices prevailing on The Nasdaq Capital Market at the time of the sale of such shares. The Company will pay Canaccord Genuity LLC and Roth Capital Partners, LLC a fixed commission rate equal to 3.0% of the gross sale price per share of common stock sold.

In April 2020, the Company sold an aggregate of 3,200,585 shares of common stock under the equity distribution agreement in the ATM. Offering costs were incurred totaling $238,168, inclusive of commissions paid to the sales agents at a fixed rate of 3.0%, together with legal, accounting and filing fees. Net proceeds from the sale of the shares totaled $2,286,939. Proceeds were used to strengthen the Company's liquidity and working capital position.

The Company issued 730,592 shares of common stock during the fiscal year ended June 30, 2020 and 302,105 shares of common stock during the fiscal year ended June 30, 2019 as payment of preferred stock dividends. For the year ended June 30, 2020, the Company issued 1,218,000 shares of common stock in conversion of 1,218,000 shares of preferred stock.

The Company maintains an equity incentive plan for the benefit of employees. On June 29, 2015 the shareholders approved the 2015 equity incentive plan setting aside 500,000 shares ("2015 Equity Plan"). On December 3, 2018, the shareholders approved a new 2018 equity incentive plan ("2018 Equity Plan"), setting aside 600,000 shares of common stock. Share remaining available under the 2015 Equity Plan are eligible for use under the 2018 Equity Plan. Incentive and nonqualified stock options, restricted common stock, stock appreciation rights, and other share-based awards may be granted under the plans including performance-based awards. As of June 30, 2020, 463,978 shares of common stock remained authorized and reserved for issuance, but were not granted under the terms of the 2018 Equity Plan.

For the year ended June 30, 2020, the Company granted 165,491 shares of restricted common stock to directors in connection with compensation arrangements and 100,000 shares to employees. For the year ended June 30, 2019, the Company granted 63,998 shares of restricted common stock to directors in connection with compensation arrangements.

The Company granted options for the purchase of 160,000 shares of common stock under its equity incentive plans during fiscal year 2020 and options for purchase of 20,000 shares during fiscal year 2019. The options were granted at not less than 100% of the market price of the underlying common stock at the date of grant. Option terms are determined by the Board of Directors or the Compensation Committee of the Board of Directors, 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:

	2020	2019
Expected dividend yield	0%	0%
Expected stock price volatility	26% - 55%	42%
Risk-free interest rate	0.38% - 1.94%	2.69%
Expected life of options	0.25 years - 5.25 years	5.25 years

The weighted average fair value of options granted during fiscal year 2020 and 2019 was $0.26 and $0.86, respectively. The following table summarizes the Company's stock option activity during the reported fiscal years:

	2020			2019	
	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Number of shares	Weighted average exercise price
Options outstanding at beginning of the year	126,577	$ 2.73	5.63 years	191,796	$ 3.04
Options granted	160,000	1.33	6.98 years	20,000	2.07
Options canceled or expired	(137,577)	2.07		(85,219)	3.28
Options outstanding at end of the year	149,000	$ 1.80	6.34 years	126,577	$ 2.73
Options exercisable at end of the year	33,000	$ 2.58		38,083	$ 2.92
Range of exercise prices at end of the year		$ 1.12 - 2.70			$ 2.07 - 4.20

The Company recognized $278,716 and $ 300,649 in stock-based compensation for the years ended June 30, 2020 and 2019, 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.

As of June 30, 2020, there was $155,479 of unrecognized stock-based compensation cost that is expected to be expensed over the next four years.

No options were exercised during fiscal years 2020 and 2019. The aggregate intrinsic value of the outstanding options as of June 30, 2020 and 2019 was $0.

Note 14. Convertible Preferred Stock and Common Stock Warrants

As of June 30, 2020, the Company had issued and outstanding a total of 1,992,000 shares of Series A 8% Convertible Preferred Stock (“Series A Preferred”) and 1,459,000 shares of Series B Convertible Preferred Stock ("Series B Preferred"). The Series A Preferred and Series B Preferred are convertible into a total of 3,451,000 shares of common stock. Dividends payable on these preferred shares accrue at the rate of 8% per year and are payable quarterly in stock or cash at the option of the Company. The Company generally pays the dividends on the preferred stock by issuing shares of our common stock. The formula for paying these dividends using common stock in lieu of cash can change the effective yield on the dividend to more or less than 8% depending on the market price of the common stock at the time of issuance. Certain redemption rights are attached to the Series A Preferred and Series B 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 and Series B Preferred includes a liquidation preference under which investors would receive cash equal to the stated value of their stock plus unpaid dividends. A forced conversion can be initiated based on a formula related to share price and trading volumes. As of June 30, 2020, there were also issued and outstanding 230,000 shares of Series C Non-Voting Convertible Preferred Stock (“Series C Preferred”). The Series C Preferred shares are non-voting, do not receive dividends, and have no liquidation preferences or redemption rights. During the year ended June 30, 2020, the Company issued 1,218,000 shares of common stock upon conversion of 1,210,000 shares of Series C Preferred and 8,000 shares of Series A Preferred.

As of June 30, 2020, the Company had issued and outstanding a total of 6,738,500 warrants to purchase 1.5 shares of Common Stock, exercisable at $2.75 per share for cash only. The warrants are exercisable for 72 months from the date of issuance and carry a 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.

In connection with each of the issuances of the Series A Preferred, the Series B Preferred and the Series C Preferred, the Company recorded a deemed dividend related to a beneficial conversion feature, which reflects the difference between the underlying common share value of the Series A Preferred, the Series B Preferred, and the Series C Preferred shares as if converted, based on the closing price of the Company’s common stock on the date of the applicable transaction, less an amount of the purchase price assigned to the Series A Preferred, the Series B Preferred or the Series C Preferred, as applicable, in an allocation of purchase price between the preferred shares and common stock purchase warrants that were issued with the Series A Preferred, the Series B Preferred and the Series C Preferred. For the year ended June 30, 2020, the Company recorded deemed dividend discount accretion of $173,758 associated with the conversion of preferred shares.

The Company chose to pay preferred stock dividends by issuing common shares valued at $745,714 in fiscal year 2020 and $ 776,014 in fiscal year 2019. At June 30, 2020, there was $180,123 in accrued dividends payable for the quarter ended June 30, 2020, which were paid by issuing 207,736 shares of common stock in July 2020.

In case of liquidation, dissolution or winding up of the Company, preferred stock has preferential treatment beginning with the Series A Preferred, then the Series B Preferred, followed by the Series C Preferred. After preferential amounts, if any, to which the holders of preferred stock may be entitled, the holders of all outstanding shares of common stock shall be entitled to share ratably in the remaining assets of the Company. Liquidation preference is as follows:

	Shares Designated	Shares Outstanding	Liquidation Value/ Preference
Series A Preferred	2,000,000	1,992,000	$ 4,980,000
Series B Preferred	1,800,000	1,459,000	3,647,500
Series C Preferred	2,800,000	230,000	-

Note 15. Accrued Payroll and Benefits Expense

As of June 30, 2020 and 2019, accrued payroll and benefits expense was $1,204,964 and $1,373,481, respectively. Included in the balance as of June 30, 2020 and 2019, was $199,914 and $310,903, respectively, of accrued severance expense maturing in less than one year. The Company recognized $533,706 and $300,011 in severance expense during the years ended June 30, 2020 and 2019, respectively. Severance expense is included in selling, general, and administrative expenses in the accompanying consolidated statements of operations.

Note 16. Employee Benefit Plan

The Company has deferred savings plans which qualify under Internal Revenue Code Section 401(k). The plans covers all employees of Dynatronics Corporation, who have at least 12 months of service and who are age 21 or older. For fiscal year 2020, the Company made matching contributions of 50% of the first 6% of each employee's contribution up to a maximum of $3,000, with a six-year vesting schedule. For fiscal year 2019, the Company made matching contributions of 25% to 100% of the first 5% of each employee's contribution, with a six-year vesting schedule. Contributions to the plan for fiscal years 2020 and 2019 were $206,366 and $322,728, respectively. Matching contributions for future years are at the discretion of the Board of Directors.

Note 17. Liquidity and Capital Resources

As of June 30, 2020, the Company had $2,316,301 in cash, compared to $ 256,030 as of June 30, 2019. During fiscal year 2020 and 2019, the Company had positive cash flows from operating activities. The Company believes that its existing revenue stream, cash flows from consolidated operations, current capital resources, and borrowing availability under the Line of Credit provide sufficient liquidity to fund operations through at least September 30, 2021.

As of June 30, 2020 there was approximately $5,040,000 of additional borrowing capacity available on the Line of Credit. To fully execute on its business strategy of acquiring other entities, the Company will need to raise additional capital. Absent additional financing, the Company may have to curtail its current acquisition strategy.

Note 18. Revenue

On July 1, 2018, the Company adopted ASC 606, *Revenue from Contracts with Customers*, which establishes principles for recognizing revenue and reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The guidance was applied using the modified retrospective transition method. The adoption of this guidance had no material impact on the amount and timing of revenue recognized, therefore, no adjustments were recorded to the consolidated financial statements upon adoption. For the year ended June 30, 2019, revenue recognized pursuant to ASC 606 would not have differed materially had revenue continued to be recognized under ASC 605.

As of June 30, 2020 and June 30, 2019, the rebate liability was $247,388 and $287,430, respectively. The rebate liability is included in accrued expenses in the accompanying consolidated balance sheets.

As of June 30, 2020 and June 30, 2019 , the allowance for sales discounts was $8,000 and $14,500, respectively. The allowance for sales discounts is included in trade accounts receivable, less allowance for doubtful accounts in the accompanying consolidated balance sheets.

The following table disaggregates revenue by major product category:

	Year Ended June 30	
	2020	**2019**
Physical Therapy and Rehabilitation Products	$ 32,672,788	$ 39,000,967
Orthopedic Soft Bracing Products	20,472,533	23,202,597
Other	263,725	361,553
	$ 53,409,046	$ 62,565,117

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information that is required to be disclosed in our reports filed under the Securities Exchange Act of 1934, or Exchange Act, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial and accounting officer), as appropriate, to allow timely decisions regarding any required disclosure. In designing and evaluating these disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act, as of June 30, 2020. Based on this evaluation, our principal executive officer and principal financial officer concluded that as of June 30, 2020, our disclosure controls and procedures were effective, at a reasonable assurance level, to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and is (b) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2020. In making this assessment, management used the criteria that have been set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework (2013)*. Based on our evaluation under the COSO criteria, our management concluded that our internal control over financial reporting as of June 30, 2020 is effective.

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting since we are a smaller reporting company under the rules of the SEC. Management's report was not subject to attestation by our registered public accounting firm pursuant to an exemption for non-accelerated filers set forth in Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the year ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

The information for this Item is incorporated by reference to the definitive proxy statement to be filed no later than 120 days after the close of our last fiscal year, pursuant to Regulation 14A under the Exchange Act.

Item 11. Executive Compensation

The information for this Item is incorporated by reference to the definitive proxy statement to be filed no later than 120 days after the close of our last fiscal year, pursuant to Regulation 14A under the Exchange Act.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information for this Item is incorporated by reference to the definitive proxy statement to be filed no later than 120 days after the close of our last fiscal year, pursuant to Regulation 14A under the Exchange Act.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information for this Item is incorporated by reference to the definitive proxy statement to be filed no later than 120 days after the close of our last fiscal year, pursuant to Regulation 14A under the Exchange Act.

Item 14. Principal Accounting Fees and Services

The information for this Item is incorporated by reference to the definitive proxy statement to be filed no later than 120 days after the close of our last fiscal year, pursuant to Regulation 14A under the Exchange Act.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statements and Schedules

The financial statements are set forth under Item 8 of this Annual Report on Form 10-K, as indexed below. Financial statement schedules have been omitted since they either are not required, not applicable, or the information is otherwise included.

Index to Financial Statements

	Page
Report of Independent Registered Public Accounting Firm for the years ended June 30, 2020 and 2019	31
Consolidated Balance Sheets as of June 30, 2020 and 2019	32
Consolidated Statements of Operations for the years ended June 30, 2020 and 2019	33
Consolidated Statements of Stockholders' Equity for the years ended June 30, 2020 and 2019	34
Consolidated Statements of Cash Flows for the years ended June 30, 2020 and 2019	35
Notes to Consolidated Financial Statements	36

(b) Exhibit Listing.

An index of exhibits incorporated by reference or filed with this Annual Report on Form 10-K is provided below.

Exhibit Number	Description of Exhibit	Filing Reference
2.1	Asset Purchase Agreement, dated September 26, 2017, by and between Dynatronics Corporation and Bird & Cronin, Inc.	Exhibit 10.1 to Current Report on Form 8-K filed September 27, 2017
3.1(i)	Amended and Restated Articles of Incorporation of Dynatronics Corporation	Exhibit 3.1 to Registration Statement on Form S-3 filed January 27, 2017
3.1(ii)	Certificate Designating the Preferences, Rights and Limitations of the Series A 8% Convertible Preferred Stock of the Registrant (Corrected)	Exhibit 3.1 to Current Report on Form 8-K, (File No. 000-12697) filed July 1, 2015
3.1(iii)	Certificate of Designations, Preferences and Rights of the Series B Convertible Preferred Stock of Dynatronics Corporation	Exhibit 3.1 to Current Report on Form 8-K filed April 4, 2017
3.1(iv)	Certificate of Designation of Rights and Preferences of Series C Non-Voting Convertible Preferred Stock as filed with the Utah Division of Corporations and Commercial Code September 29, 2017	Exhibit 3.1 to Current Report on Form 8-K filed October 6, 2017
3.1(v)	Certificate of Designation of Rights and Preferences of Series D Non-Voting Convertible Preferred Stock as filed with the Utah Division of Corporations and Commercial Code September 29, 2017	Exhibit 3.2 to Current Report on Form 8-K filed October 6, 2017
3.2	Amended and Restated Bylaws of Dynatronics Corporation	Exhibit 3.2 to Current Report on Form 8-K filed July 22, 2015
4.2(i)	Specimen Common Stock Certificate	Exhibit 4.1 to Registration Statement on Form S-1 (file no. 00-285045), filed July 11, 1983
4.2(ii)	Specimen Series A 8% Convertible Preferred Stock Certificate	Exhibit 4.2 to Registration Statement on Form S-3 (file no. 333-205934) filed July 29, 2015
4.2(iii)	Specimen Series B Convertible Preferred Stock Certificate	Exhibit 4.2 to Registration Statement on Form S-3 (file no. 333-217322) filed April 14, 2017
4.1(iv)	Form of Common Stock Purchase Warrant (A Warrant) 2015 A Warrant	Exhibit 4.1 to Current Report on Form 8-K (file no. 000-12697) filed July 1, 2015
4.1(v)	Form of Common Stock Purchase Warrant (B Warrant) 2015 B Warrant	Exhibit 4.2 to Current Report on form 8-K (file no. 000-12697) filed July 1, 2015
4.1(vi)	Form of Common Stock Purchase Warrant 2017	Exhibit 4.2 of Current Report on Form 8-K (file no. 000-12697) filed March 22, 2017
4.1(vii)	Form of Common Stock Purchase Warrant (September 2017)	Exhibit 4.1 of Current Report on Form 8-K (file no. 000-12697) filed September 27, 2017

10.1	Loan and Security Agreement with Bank of the West	Exhibit 10.1 to Current Report on Form 8-K filed April 4, 2017
10.2	Dynatronics Corporation 2015 Equity Incentive Award Plan and Forms of Statutory and Non- Statutory Stock Option Awards	Exhibit 4.1 to Registration Statement on form S-8, effective September 3, 2015
10.3	Dynatronics Corporation 2018 Equity Incentive Plan	Appendix to Definitive Proxy Statement on Schedule 14A, filed October 10, 2018
10.4	Modification Agreement, dated October 2, 2017 among Dynatronics Corporation, Hausmann Enterprises, LLC and Bird & Cronin, LLC as Borrowers and Bank of the West	Exhibit 10.6 to Current Report on Form 8-K filed October 6, 2017
10.5	Waiver and Modification Agreement, dated July 13, 2018 among Dynatronics Corporation, Hausmann Enterprises, LLC and Bird & Cronin, LLC as Borrowers and Bank of the West	Exhibit 10.11 on Form 10-K filed September 27, 2018
10.6	Fifth Modification Agreement, dated June 21, 2019 among Dynatronics Corporation, Hausmann Enterprises, LLC and Bird & Cronin, LLC as Borrowers and Bank of the West	Exhibit 10.1 to Current Report on Form 8-K filed June 21, 2019
10.7	Employment Agreement with Brian D. Baker, dated August 26, 2019	Exhibit 10.2 to Current Report on Form 8-K filed August 29, 2019
10.8	Sixth Modification Agreement, dated January 22, 2020 among Dynatronics Corporation, Hausmann Enterprises, LLC and Bird & Cronin, LLC as Borrowers and Bank of the West	Exhibit 10.1 to Current Report on Form 8-K filed January 28, 2020
10.9	Paycheck Protection Program Note, dated April 29, 2020, executed by Dynatronics Corporation as Borrower and Bank of the West	Exhibit 10.2 on Form 10-Q filed May 14, 2020
10.10	Master Supply Agreement between Dynatronics Corporation and Ascentron, Inc., effective March 1, 2020	Exhibit 10.3 on Form 10-Q filed May 14, 2020
10.11	Letter Agreement between Dynatronics Corporation and John A. Krier (Chief Financial Officer) dated effective March 23, 2020	Exhibit 10.4 on Form 10-Q filed May 14, 2020
10.12	Equity Distribution Agreement, dated as of March 12, 2020, by and among Dynatronics Corporation, Canaccord Genuity LLC and Roth Capital Partners, LLC	Exhibit 1.1 to Current Report on Form 8-K filed March 13, 2020
10.13	Separation and Pay Continuation Agreement with Brian D. Baker, dated July 8, 2020	Filed herewith
10.14	Consulting Agreement with Brian D. Baker, effective October 8, 2020	Filed herewith
10.15	Employment Agreement with John A. Krier, dated July 7, 2020	Filed herewith
10.16	Master Service Agreement with Millstone Medical Outsourcing, LLC, effective July 8, 2020	Filed herewith
21	Subsidiaries of the registrant	Filed herewith
23.1	Consent of Tanner LLC	Filed herewith

31.1	Certification under Rule 13a-14(a)/15d-14(a) of principal executive officer and principal financial officer	Filed herewith
32.1	Certification under Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) of principal executive officer and principal financial officer	Filed herewith
101.INS**	XBRL Instance Document	Filed herewith
101.SCH**	XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.LAB**	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
101.PRE**	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith

** Pursuant to Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DYNATRONICS CORPORATION

Date: September 24, 2020

By: /s/ John A. Krier

John A. Krier
President and Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: September 24, 2020

By: /s/ John A. Krier

John A. Krier
President and Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

/s/ Skyler N. Black

Skyler N. Black
Corporate Controller
(Principal Accounting Officer)

/s/ Brian D. Baker

Brian D. Baker
Director

/s/ Erin S. Enright

Erin S. Enright
Director, Chairman

/s/ David B. Holtz

David B. Holtz
Director

/s/ Scott A. Klosterman

Scott A. Klosterman
Director

/s/ Brian M. Larkin

Brian M. Larkin
Director

/s/ R. Scott Ward, Ph.D.

R. Scott Ward, Ph.D.
Director

SEPARATION AND PAY CONTINUATION AGREEMENT

THIS SEPARATION AND PAY CONTINUATION AGREEMENT (this "Agreement") is made and entered into as of the date indicated on the signature page hereof (the "Execution Date"), by and between BRIAN BAKER ("Executive"), and DYNATRONICS CORPORATION, a Utah corporation (the "Company"). Executive and the Company are referred to collectively as the "Parties" and each is sometimes referred to as a "Party" in this Agreement.

RECITALS

A. Executive has resigned as the Company's CEO effective July 8, 2020.

B. Executive's last day of employment with the Company is October 7, 2020 (the "Separation Date"). After the Separation Date, the Executive shall no longer be an employee of the Company but will continue to be a member of the Board of Directors and a consultant with the Company under that certain Consulting Agreement dated October 8, 2020 between the parties. Except as otherwise set forth in this Agreement, the Separation Date is the employment termination date for the Executive for all purposes, meaning the Executive is not entitled to any further compensation, monies, or other benefits from the Company, including coverage under any benefit plans or programs sponsored by the Company, as of the Separation Date.

C. The Company has offered to provide Executive with pay continuation through the Termination Date, in addition to other benefits that Executive otherwise would not is entitled to receive, in consideration for Executive entering into this Agreement, and agreeing to, and complying with, the promises, covenants, agreements, obligations, releases and waivers contained herein.

D. Executive is willing to enter into this Agreement, as well as an attestation of this Agreement after his Separation Date and be bound by the promises, covenants, agreements, conditions, waivers and releases set forth herein in exchange for the benefits being offered by the Company in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the promises, covenants, agreements, releases and waivers contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. Return of Property. The Executive warrants and represents that as of the Separation Date, he has returned all Company property, including identification cards or badges, access codes or devices, keys, laptops, computers, telephones, mobile phones, hand-held electronic devices, credit cards, electronically stored documents or files, physical files, and any other Company property in the Executive's possession; *provided*, *however*, that Executive may retain certain Company property, approved by the Company CEO, for the performance of his ongoing duties as a director of the Company, as set forth in Section 3 or his ongoing duties under that certain Consulting Agreement dated October 8, 2020 entered into between the parties.

2. Resignation from All Officer Positions. Effective on the Execution Date, the Executive shall be deemed to have resigned from all positions that the Executive holds as an officer of the Company or any of its affiliates.

3. Board of Directors. The Executive shall continue to serve on the Board of Directors of the Company until the next annual meeting of the shareholders of the Company or until his earlier resignation or removal.

4. Employment Agreement. Executive and the Company are parties to that certain Employment Agreement, including addenda and ancillary agreements attached to and incorporated in or forming a part thereof, dated effective August 22, 2019, pursuant to which the Company employed Executive (the "Employment Agreement"). Capitalized terms used but not defined herein shall have the meanings given them in the Employment Agreement.

5. Executive Representations. Executive's specifically represents, warrants, and confirms that the Executive:

(a) has not filed any claims, complaints, or actions of any kind against the Company with any court of law, or local, state, or federal government or agency;

(b) has been properly paid for all hours worked for the Company through the Separation Date;

(c) has received all salary, wages, commissions, bonuses, and other compensation due to the Executive through the Separation Date, with the exception of the Executive's final payroll check for salary and bonus through and including the Separation Date, which will be paid on the Company's next regularly scheduled payroll date for the pay period in which the Separation Date falls; and

(d) has not engaged in and is not aware of any unlawful conduct relating to the business of the Company.

If any of these statements is not true, the Executive cannot sign this Agreement and must notify the Company immediately in writing of the statements that are not true. This notice will not automatically disqualify the Executive from receiving these benefits, but will require the Company's further review and consideration.

6. Separation Benefits. As consideration for the Executive's execution of, non-revocation of, and compliance with this Agreement, including the Executive's waiver and release of claims in Section 8 and other post-termination obligations, and Executive's subsequent execution of an attestation within then (10) days after his Separation Date, the Company agrees to provide the following separation benefits ("Separation Benefits") to which the Executive is not otherwise entitled:

(a) Pay continuation from the Execution Date to the Separation Date, at Executive's current base salary rate, less all relevant deductions for benefits, taxes and other withholdings, which shall be payable in accordance with the Company's normal payroll practices.

Notwithstanding the foregoing, the Company shall have no obligation to provide any of the Separation Benefits prior to the Effective Date of this Agreement as defined in Section 13. The Executive understands, acknowledges, and agrees that these benefits exceed what the Executive is otherwise entitled to receive on separation from employment, and that these benefits are being given as consideration in exchange for executing this Agreement and the general release and restrictive covenants contained in it. Except for Executive's ability to continue vesting in restricted stock units and/or stock options granted to him as an employee provided he meets the definition of "continuous service" as defined in the Company's 2018 Equity Incentive Plan, the Executive further acknowledges that the Executive is not entitled to any additional payment or consideration not specifically referenced in this Agreement. Nothing in this Agreement shall be deemed or construed as an express or implied policy or practice of the Company to provide these or other benefits to any individuals other than the Executive.

7. Cooperation; Continuing Covenants. The Parties agree that certain matters in which the Executive has been involved during the Executive's employment may need the Executive's cooperation with the Company in the future. Accordingly, to the extent reasonably requested by the Company, the Executive shall cooperate with the Company regarding matters arising out of or related to the Executive's service to the Company. Executive hereby agrees to comply with Executive's duties and obligations under that certain Agreement Regarding Confidential Information, Ownership of Inventions, Non-Competition, Customer Non-Solicitation, and Employee Non-Solicitation Covenants and Acknowledgment of At-Will Employment dated effective August 22, 2019 (the "Restrictive Covenants"), including, without limitation, the obligation of confidentiality and the non-competition, non-solicitation and non-disparagement covenants thereof. Executive also agrees that he continues to be bound by to return any and all Company property and/or Confidential Information in Executive's possession or control in accordance with the Restrictive Covenants, *provided, however,* that Executive may retain certain Company property approved by the Company's CEO as set forth in Section 1, above.

8. General Release.

(a) Executive, on behalf of himself and his heirs, executors, administrators, successors and assigns, and all other persons claiming by, through, or under him, hereby knowingly and voluntarily waives, releases and forever discharges the Company and all of its parents, subsidiaries, and affiliate companies, predecessors, successors, and assigns, and each of their respective current and former shareholders, directors, officers, employees, representatives, insurers, attorneys and assigns, and all persons acting by, through, under or in concert with them, or any of them (all of whom, with the Company, are collectively referred to throughout the remainder of this Agreement as the "Releasees"), of and from any and all claims, demands, charges, grievances, damages, debts, liabilities, accounts, costs, attorneys' fees, expenses, liens, future rights, and causes of action of every kind and nature, known or unknown, asserted or unasserted, which Executive has, may have, or claims to have against Releasees, or one or more of them, arising prior to the Effective Date of this Agreement (hereinafter collectively referred to as "Released Claims").

(b) The Released Claims include, without limitation, (i) any claims based either in whole or in part upon any facts, circumstances, acts, or omissions in any way arising out of, based upon, or related to Executive's employment with the Company or the termination thereof; (ii) any claims or regulation, local ordinance, or the common law, regarding employment or prohibiting employment discrimination, harassment, or retaliation, including, without limitation, arising under any federal or state statute or regulation, local ordinance, or the common law, regarding employment or prohibiting employment discrimination, harassment, or retaliation, including, without limitation, the Utah Antidiscrimination Act, the Utah Payment of Wages Act, the Age Discrimination in Employment Act (the "ADEA," as amended by the Older Workers Benefit Protection Act (the " OWBPA")), the Genetic Information Nondiscrimination Act, Title VII of the Civil Rights Act of 1964, the Fair Labor Standards Act, the Americans With Disabilities Act, the National Labor Relations Act (" NLRA"), the Family Medical Leave Act, the Executive Retirement Income Security Act of 1974, the Worker Adjustment and Retraining Notification Act, the Health Insurance Portability and Accountability Act of 1996, the Immigration Reform and Control Act, and the Occupational Safety and Health Act, all including any amendments and their respective implementing regulations, and any other federal, state, local, or foreign law (statutory, regulatory, or otherwise) that may be legally waived and released; however, the identification of specific statutes is for purposes of example only, and the omission of any specific statute or law shall not limit the scope of this general release in any manner; (iii) any claim for wrongful discharge, wrongful termination in violation of public policy, breach of contract, breach of the covenant of good faith and fair dealing, personal injury, harm, or other damages (whether intentional or unintentional), negligence, negligent employment, defamation, misrepresentation, fraud, intentional or negligent infliction of emotional distress, interference with contract or other economic opportunity, assault, battery, or invasion of privacy; (iv) claims growing out of any legal restrictions on the Company's right to terminate its employees; (v) claims for wages, other compensation or benefits; (vi) any claim for general, special, or other compensatory damages, consequential damages, punitive damages, back or front pay, fringe benefits, attorney fees, costs, or other damages or expenses; (vii) any claim for injunctive relief or other equitable relief; (viii) any claim arising under any federal or state statute or local ordinance regulating the health and/or safety of the workplace; or (ix) any other tort, contract or statutory claim.

(c) Notwithstanding the foregoing paragraphs, Executive does not release the Company from any obligations the Company may have to him with respect to the following: (i) rights under the Company's 401(k) Plan, if any; (ii) rights to the continuation of insurance coverage under COBRA; (iii) right to apply for unemployment compensation or worker's compensation; (iv) claims or rights which cannot be waived pursuant to applicable law; (v) Executive's rights or claims under the ADEA that arise after the execution of this Agreement; and (vi) any rights or remedies which Executive may have against the Company under the terms of this Agreement.

(d) Nothing contained herein is intended to constitute or shall be construed as a waiver or release of Executive's right to file a charge or complaint with, or participate in an investigation by, the EEOC or any other federal or state agency. Executive is, however, waiving his right to recover any monetary award, damages or any other form of recovery in connection with such a charge or complaint, whether such charge or complaint is filed by Executive or someone else, or such an investigation.

(e) Executive represents and warrants that he has not previously signed or transferred, or attempted to sign or transfer, to any third party, any of the claims waived and released herein.

9. No Admission of Liability or Wrongdoing. Neither this Agreement nor the payment or providing of the Separation Benefits pursuant to this Agreement shall be construed as or constitute an admission by the Company of any fault, liability or wrongdoing by any Releasee, nor an admission that Executive has any valid or enforceable claims or rights whatsoever against the Company or any other Releasee. The Company specifically denies any liability to, or wrongful act against, Executive by itself or any of the other Releasees.

10. Executive's Acknowledgment of Notices Pertaining to the Release of Age Discrimination in Employment Act (ADEA) Rights and Claims. By execution of this Agreement, Executive specifically agrees and acknowledges that:

(a) this Agreement includes a release of all rights and claims under the ADEA arising prior to the execution of this Agreement, Executive is not waiving rights or claims that may arise after the execution of this Agreement, and Executive has been advised to fully consider this release before executing this Agreement;

(b) Executive has been given the opportunity to read this Agreement in its entirety, has had all questions regarding its meaning and content answered to Executive's satisfaction, and fully understands all of its terms;

(c) Executive has been advised of his right to consult with an attorney before executing this Agreement and Executive has done so to the extent he desired to do so before executing this Agreement;

(d) Executive has been advised that he has twenty-one (21) days to consider this Agreement before signing it, and that Executive may revoke the Agreement within seven (7) calendar days after the date he signs it;

(e) Executive is entering into this Agreement knowingly, freely, and voluntarily in exchange for the promises made in this Agreement and that no other representations or promises have been made to Executive to induce or influence his execution of this Agreement;

(f) the waiver and release of rights and claims set forth herein is given in exchange for good and valuable consideration in addition to anything of value to which Executive is otherwise entitled;

(g) Executive is not waiving or releasing rights or claims that may arise after Executive signs this Agreement.

11. Time to Consider and Sign Agreement. In accordance with the OWBPA, Executive may take up to twenty-one (21) calendar days from the date of receipt of this Agreement to review and consider the terms of this Agreement and consult with an attorney of the Executive's choice about it, and sign the Agreement and deliver it to the Company. Executive may sign the Agreement sooner if desired and changes to this Agreement, whether material or immaterial, do not restart the 21-day period.

12. Time to Revoke Agreement. After signing this Agreement, Executive shall have seven (7) calendar days within which to revoke this Agreement in its entirety. If Executive revokes this Agreement, he will not be entitled to the Separation Benefits described above, and this Agreement will be ineffective and void. Executive may revoke his acceptance of this Agreement by delivering notice of revocation to Jennifer Keeler, General Counsel of the Company, by email before the end of the seven-day period. In the event of a revocation by the Executive, the Company shall have the option of treating this Agreement as null and void in its entirety. In such event, Executive will not receive the Separation Benefits or any other consideration Executive would not be entitled to in the absence of this Agreement. After the seven-day period has elapsed, Executive shall not have the right to revoke or rescind this Agreement or the release contained herein.

13. Effective Date**.** This Agreement shall become effective and enforceable eight (8) days following the execution of this Agreement by Executive, provided the Agreement has not been revoked by Executive within the revocation period referenced in Section 12 above (the "Effective Date").

14. Attestation. After the Separation Date, Executive shall sign the attestation attached hereto as Exhibit A confirming that Executive waives, releases and forever discharges the Company from all Released Claims through the Separation Date.

15. General Provisions.

(a) Severability. If any provision of this Agreement shall be held by a court to be invalid, unenforceable, or void, such provision shall be enforced to the fullest extent permitted by law, and the remainder of this Agreement shall remain in full force and effect. In the event that the time period or scope of any provision is declared by a court of competent jurisdiction to exceed the maximum time period or scope that such court deems enforceable, then such court shall reduce the time period or scope to the maximum time period or scope permitted by law.

(b) Taxes. All amounts paid under this Agreement shall be paid less all applicable state and federal tax withholdings and any other withholdings required by any applicable jurisdiction.

(c) Governing Law. This Agreement shall be governed by the laws of the State of Utah without regard to conflict of law principles. Any action or proceeding by either of the Parties to enforce this Agreement shall be brought only in any state or federal court located in the state of Utah, County of Salt Lake. The Parties hereby irrevocably submit to the exclusive jurisdiction of these courts and waive the defense of inconvenient forum to the maintenance of any action or proceeding in such venue.

(d) Dispute Resolution. All disputes and controversies arising out of or in connection with this Agreement shall be resolved exclusively by the state and federal courts located in Salt Lake County in the State of Utah, and each Party hereto agrees to submit to the jurisdiction of said courts and agrees that venue shall lie exclusively with such courts. Each Party hereby irrevocably waives, to the fullest extent permitted by applicable law, any objection which such Party may raise now, or hereafter have, to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. Each Party agrees that, to the fullest extent permitted by applicable law, a final judgment in any such suit, action, or proceeding brought in such a court shall be conclusive and binding upon such Party, and may be enforced in any court of the jurisdiction in which such Party is or may be subject by a suit upon such judgment.

(e) WAIVER OF RIGHT TO JURY TRIAL. TO THE EXTENT PERMITTED BY LAW, EACH PARTY HEREBY WAIVES ITS RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT OR IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. EACH PARTY HEREBY AGREES THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT, OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

(f) Fees and Costs. The prevailing party in any arbitration, court action or other adjudicative proceeding arising out of or relating to this Agreement shall be reimbursed by the party who does not prevail for their reasonable attorneys', accountants', and experts' fees and for the costs of such proceeding. The provisions set forth in this Section shall survive the merger of these provisions into any judgment. For purposes of this Section 15(f), "prevailing party" includes, without limitation, a party who agrees to dismiss an action or proceeding upon the other's payment of the sums allegedly due or performance of the covenants allegedly breached, or who obtains substantially the relief sought.

(g) Amendments; Waivers. This Agreement may not be modified, amended, or changed except by an instrument in writing, signed by Executive and by a duly authorized representative of the Company other than Executive. No waiver or consent shall be binding except in a writing signed by the Party making the waiver or giving the consent. No waiver of any provision or consent to any action shall constitute a waiver of any other provision or consent to any other action, whether or not similar. No waiver or consent shall constitute a continuing waiver or consent except to the extent specifically set forth in writing.

(h) Section 409A. This Agreement is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (" Section 409A"), including the exceptions thereto, and shall be construed and administered in accordance with such intent. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service, as a short-term deferral, or as a settlement payment pursuant to a bona fide legal dispute shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, any installment payments provided under this Agreement shall each be treated as a separate payment. To the extent required under Section 409A, any payments to be made under this Agreement in connection with a termination of employment shall only be made if such termination constitutes a "separation from service" under Section 409A. Notwithstanding the foregoing, Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall Company be liable for all or any portion of any taxes, penalties, interest, or other expenses that may be incurred by Executive on account of non-compliance with Section 409A.

(i) Assignment. Executive agrees that Executive shall have no right to assign and shall not assign or purport to assign any rights or obligations under this Agreement. This Agreement may be assigned or transferred by the Company; and nothing in this Agreement shall prevent the consolidation, merger or sale of the Company or a sale of any or all or substantially all of its assets. Subject to the foregoing, this Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective heirs, legal representatives, successors, and permitted assigns, and shall not benefit any person or entity other than those specifically enumerated in this Agreement.

(j) Parties in Interest. Nothing in this Agreement shall confer any rights or remedies under or by reason of this Agreement on any persons other than the Parties hereto and their respective successors and permitted assigns nor shall anything in this Agreement relieve or discharge the obligation or liability of any third person to any Party to this Agreement, nor shall any provision give any third person any right of subrogation or action over or against any Party to this Agreement.

(k) Construction. The terms of this Agreement have been negotiated by the Parties hereto, and no provision of this Agreement shall be construed against either Party as the drafter thereof.

(l) Interpretation. This Agreement shall be construed as a whole, according to its fair meaning. Sections and section headings contained in this Agreement are for reference purposes only, and shall not affect in any manner the meaning or interpretation of this Agreement. Unless the context of this Agreement otherwise requires, (i) words of any gender shall be deemed to include each other gender; (ii) words using the singular or plural number shall also include the plural or singular number, respectively; and (iii) the terms "hereof," "herein," "hereby," "hereto," and derivative or similar words shall refer to this entire Agreement.

(m) Notice. Any notices, consents, agreements, elections, amendments, approvals and other communications provided for or permitted by this Agreement or otherwise relating to this Agreement shall be in writing and shall be deemed effectively given upon the earliest to occur of the following: (i) upon personal delivery to such Party; (ii) when sent by confirmed telex or facsimile if sent during normal business hours of the recipient, if not, then on the next business day; (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; (iv) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt; or (v) upon actual receipt by the Party to be notified via any other means (including public or private mail, electronic mail or telegram); *provided*, *however*, that notice sent via electronic mail shall be deemed duly given only when actually received and opened by the Party to whom it is addressed. All communications shall be sent to the Party's address set forth on the signature page below, or at such other address as such Party may designate by ten (10) days advance written notice to the other Parties in accordance with this Section 14(m).

(n) Counterparts. This Agreement may be executed in one or more counterparts, any one of which need not contain the signatures of more than one Party, but all such counterparts taken together will constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including .pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

(o) Authority. Each Party represents and warrants that such Party has the right, power and authority to enter into and execute this Agreement and to perform and discharge all of the obligations hereunder; and that this Agreement constitutes the valid and legally binding agreement and obligation of such Party and is enforceable in accordance with its terms.

(p) Entire Agreement. This Agreement contains the entire agreement between Executive and the Company and there have been no promises, inducements or agreements not expressed in this Agreement.

(q) EXECUTIVE ACKNOWLEDGEMENT. EXECUTIVE HAS HAD THE OPPORTUNITY TO CONSULT LEGAL COUNSEL CONCERNING THIS AGREEMENT AND HAS OBTAINED AND CONSIDERED THE ADVICE OF SUCH LEGAL COUNSEL TO THE EXTENT EXECUTIVE DEEMS NECESSARY OR APPROPRIATE, THAT EXECUTIVE HAS READ AND UNDERSTANDS THE AGREEMENT, THAT EXECUTIVE IS FULLY AWARE OF ITS LEGAL EFFECT, AND THAT EXECUTIVE HAS ENTERED INTO IT FREELY BASED ON EXECUTIVE'S OWN JUDGMENT AND NOT ON ANY REPRESENTATIONS OR PROMISES OTHER THAN THOSE CONTAINED IN THIS AGREEMENT.

[SIGNATURES TO FOLLOW]

IN WITNESS WHEREOF, the Parties have executed this Separation and Pay Continuation Agreement as of the Execution Date.

"EXECUTIVE"

/s/ Brian D. Baker
BRIAN BAKER

Date of Execution of Agreement:

July 8, 2020

"COMPANY"

DYNATRONICS CORPORATION,
a Utah corporation

By: /s/ Jennifer Keeler
Name: Jennifer Keeler
Title: General Counsel

Date of Execution of Agreement:

July 8, 2020

EXHIBIT A

Attestation

THIS ATTESTATION OF THE SEPARATION AND PAY CONTINUATION AGREEMENT (this "Attestation") is made and entered into by and between BRIAN BAKER ("Executive"), and DYNATRONICS CORPORATION, a Utah corporation (the "Company"). Executive and the Company are referred to collectively as the "Parties" and each is sometimes referred to as a "Party" in this Agreement.

WHEREAS, the Parties entered into a Separation and Pay Continuation Agreement ("Agreement") with an Execution Date of July 8, 2020.

WHEREAS, the Company desires the Executive to affirm the release of Release Claims as set forth in Section 8 of the Agreement through and including the Separation Date.

NOW, THEREFORE, in consideration of the mutual promises set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions. All capitalized words shall have the same meaning as provided in the Agreement.

2. Consideration. Executive acknowledges and agrees that he has received adequate consideration in exchange for the release of Attestation Released Claims made in this Attestation.

3. Release. As and through the Separation Date, Executive, on behalf of himself and his heirs, executors, administrators, successors and assigns, and all other persons claiming by, through, or under him, hereby knowingly and voluntarily waives, releases and forever discharges the Company and all of its parents, subsidiaries, and affiliate companies, predecessors, successors, and assigns, and each of their respective current and former shareholders, directors, officers, employees, representatives, insurers, attorneys and assigns, and all persons acting by, through, under or in concert with them, or any of them (all of whom, with the Company, are collectively referred to throughout the remainder of this Agreement as the "Releasees"), of and from any and all claims, demands, charges, grievances, damages, debts, liabilities, accounts, costs, attorneys' fees, expenses, liens, future rights, and causes of action of every kind and nature, known or unknown, asserted or unasserted, which Executive has, may have, or claims to have against Releasees, or one or more of them, arising prior to the Separation Date (hereinafter collectively referred to as "Attestation Released Claims").

(a) The Attestation Released Claims include, without limitation, (i) any claims based either in whole or in part upon any facts, circumstances, acts, or omissions in any way arising out of, based upon, or related to Executive's employment with the Company or the termination thereof; (ii) any claims or regulation, local ordinance, or the common law, regarding employment or prohibiting employment discrimination, harassment, or retaliation, including, without limitation, arising under any federal or state statute or regulation, local ordinance, or the common law, regarding employment or prohibiting employment discrimination, harassment, or retaliation, including, without limitation, the Utah Antidiscrimination Act, the Utah Payment of Wages Act, the Age Discrimination in Employment Act (the "ADEA," as amended by the Older Workers Benefit Protection Act (the "OWBPA")), the Genetic Information Nondiscrimination Act, Title VII of the Civil Rights Act of 1964, the Fair Labor Standards Act, the Americans With Disabilities Act, the National Labor Relations Act ("NLRA"), the Family Medical Leave Act, the Executive Retirement Income Security Act of 1974, the Worker Adjustment and Retraining Notification Act, the Health Insurance Portability and Accountability Act of 1996, the Immigration Reform and Control Act, and the Occupational Safety and Health Act, all including any amendments and their respective implementing regulations, and any other federal, state, local, or foreign law (statutory, regulatory, or otherwise) that may be legally waived and released; however, the identification of specific statutes is for purposes of example only, and the omission of any specific statute or law shall not limit the scope of this general release in any manner; (iii) any claim for wrongful discharge, wrongful termination in violation of public policy, breach of contract, breach of the covenant of good faith and fair dealing, personal injury, harm, or other damages (whether intentional or unintentional), negligence, negligent employment, defamation, misrepresentation, fraud, intentional or negligent infliction of emotional distress, interference with contract or other economic opportunity, assault, battery, or invasion of privacy; (iv) claims growing out of any legal restrictions on the Company's right to terminate its employees; (v) claims for wages, other compensation or benefits; (vi) any claim for general, special, or other compensatory damages, consequential damages, punitive damages, back or front pay, fringe benefits, attorney fees, costs, or other damages or expenses; (vii) any claim for injunctive relief or other equitable relief; (viii) any claim arising under any federal or state statute or local ordinance regulating the health and/or safety of the workplace; or (ix) any other tort, contract or statutory claim.

(b) Notwithstanding the foregoing paragraphs, Executive does not release the Company from any obligations the Company may have to him with respect to the following: (i) rights under the Company's 401(k) Plan, if any; (ii) rights to the continuation of insurance coverage under COBRA; (iii) right to apply for unemployment compensation or worker's compensation; (iv) claims or rights which cannot be waived pursuant to applicable law; (v) Executive's rights or claims under the ADEA that arise after the execution of this Agreement; and (vi) any rights or remedies which Executive may have against the Company under the terms of this Agreement.

(c) Nothing contained herein is intended to constitute or shall be construed as a waiver or release of Executive's right to file a charge or complaint with, or participate in an investigation by, the EEOC or any other federal or state agency. Executive is, however, waiving his right to recover any monetary award, damages or any other form of recovery in connection with such a charge or complaint, whether such charge or complaint is filed by Executive or someone else, or such an investigation.

(d) Executive represents and warrants that he has not previously signed or transferred, or attempted to sign or transfer, to any third party, any of the claims waived and released herein.

4. General Provisions. All General Provisions in Section 15 shall apply to this Attestation. All ongoing obligations of the Parties set forth in the Agreement shall continue and shall not be modified by this Attestation.
IN WITNESS WHEREOF, the Parties have executed this Attestation Separation and Pay Continuation Agreement as of the ___ day of _________________, 2020.

"EXECUTIVE"	"COMPANY"
BRIAN BAKER	DYNATRONICS CORPORATION

Exhibit 10.14

CONSULTING AGREEMENT

Dynatronics Corporation with its principle place of business at 1200 Trapp Road Eagan MN, 55121 (" Company") and Brian Baker, a Consultant located at 82 Centerville Commons Way Centerville, UT ("Consultant"), execute this CONSULTANT AGREEMENT (" Agreement") effective October 8, 2020 ("Effective Date").

RECITALS

WHEREAS, Company desires to engage Consultant to perform various services, and Consultant wishes to provide such services to the Company;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties agree as follows:

1 . **Services for Company.** Company engages Consultant to provide consultant services on an as needed basis and/or particularly described in the Statement of Work submitted from time to time. ("Services").

2 . **Performance of Services.** Consultant will devote the time and effort necessary to perform the Services on behalf of Company as assigned. Consultant at all times, shall promote Company's best interests and be rendered in conformance with terms hereof, and must not discredit Company or its services in any way.

3 . **Compensation and Expense Reimbursement.** In consideration for the Services to be rendered pursuant to this Agreement, Consultant shall receive the sum One Hundred Fifty DOLLARS ($150.00) per hour. In addition, Company shall pay Consultant a monetary stipend of Eight Hundred Ninety DOLLARS ($890.00) per month for each month Consultant provides services. Consultant shall also be reimbursed business expenses as follows:

3.1 Invoices. During the term of this Agreement, Consultant shall issue invoices to Company on a weekly basis, during any month in which the Consultant has provided Services hereunder. Each invoice relating to this Agreement shall include a description of Services to which it relates, including a reasonably detailed description of the type of Services performed and the number of hours spent.

3.2 Payments. So long as Consultant shall have provided an invoice Company shall pay each invoice two weeks from the invoice date.

3 . 3 Stock Options and Units. As long as Consultant meets the definition of “Continuous Service” under the Company’s 2018 Equity Incentive Plan, Consultant will continue to vest in his granted stock options and restricted stock units.

4 . **Term and Termination.** This Agreement shall be effective as of the date first written above and shall continue in effect until either Party terminates the Agreement. At any time during the term of this Agreement either Party may terminate the agreement with a 15 day written notice to the other Party. Upon termination Consultant shall only be entitled to be paid for Services rendered and Expenses incurred up to the point of written notice.

5. **Independent Consultant Status.** Parties understand that Consultant is an independent contractor and all work performed hereunder shall be deemed a work-for-hire. Consultant expressly understands and agrees that this Agreement does not create an employer/employee relationship. Except as otherwise agreed to in this Agreement or the Separation Agreement between the parties, Consultant shall not be entitled to participate in any of the Company's benefit programs. Consultant shall be responsible for all tax obligations under federal and state tax laws and shall provide a completed Form W9 that can be found at https://www.irs.gov/pub/irs-pdf/fw9.pdf.

6. **Indemnification.** Unless due to Consultant's gross negligence or willful misconduct, the Company agrees to indemnify and hold harmless Consultant from and against any and all losses and otherwise defend Consultant against all liabilities, claims, actions, proceedings, damages and expenses arising out of or relating to consulting services and worked performed on Company's behalf.

7 . **Confidential Information; Proprietary Information and Inventions.** The relationship between the Company and Consultant is one of confidence and trust. For the avoidance of doubt, the Confidentiality and Non-Compete Agreement, Employment Agreement and the Separation Agreement between the parties shall control and Consultant shall be obligated to their provisions regarding confidentiality and proprietary information. However, if the confidentiality and/or proprietary provisions of those agreements expire, then the confidentiality provision set forth in **Exhibit A** shall control until this Agreement is terminated as set forth in Section 5 above.

8 . **Notices.** All communications, requests, consents and other notices under this Agreement shall be given in writing and delivered by, courier, registered or certified mail (postage prepaid). Notice shall be deemed given on the date of delivery as shown by the delivery receipt. Notices will be addressed to each party as follows:

Company:

Dynatronics Corporation
Attn: General Counsel
1200 Trapp Road
Eagan, MN 55121

Consultant:

Brian Baker
82 Centerville Commons Way
Centerville, UT 84014

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9 . **Governing Law; Forum.** The laws of the United States of America and the State of Utah govern all matters arising out of or relating to this Agreement without giving effect to any conflict of law principles. The Company and Consultant each irrevocably consent to the exclusive personal jurisdiction of the federal and state courts located in Utah, as applicable, for any matter arising out of or relating to this Agreement, except that in actions seeking to enforce any order or any judgment of the federal or state courts located in Utah, personal jurisdiction will be nonexclusive. Additionally, notwithstanding anything in the foregoing to the contrary, a claim for equitable relief arising out of or related to this Agreement may be brought in any court of competent jurisdiction.

1 0 . **Construction and Interpretation; Miscellaneous.** This Agreement was jointly negotiated and prepared by the parties, so any ambiguity herein shall not be construed for or against any party. Unless the context requires otherwise, words denoting the singular may be construed as denoting the plural and the words of the plural may be construed as denoting the singular as is appropriate. The terms "include" and "including" mean "including without limitation". The term "Law" includes constitutions, statutes, rules, regulations, codes, plans, injunctions, judgments, orders, decrees, rulings, judicial opinions, restrictions and charges; a reference to a specific statute also refers to regulations relating to that statute; a reference to a specific law refers to that law as revised or amended at the time that law is being applied. An "affiliate" of a party means any person (individual or entity) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the party. The section titles are stated only for convenience and shall not control or affect the interpretation of construction of any provision of the Agreement. If any particular provision of this Agreement is found to be invalid or unenforceable, it is to that extent deemed to be omitted in the particular jurisdiction(s) where the provision is invalid or unenforceable and the remaining provisions of this Agreement shall not be affected by such omission. No provision of this Agreement shall be altered, amended, revoked or waived, except by an instrument in writing signed by all parties. A waiver of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent or other breach. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute a single instrument; provided, however, that this Agreement shall not become binding upon any of the parties unless and until counterparts are executed by all parties. Each such counterpart shall be considered an original. A facsimile signature shall constitute an original signature.

11. Restrictive Covenants. The parties acknowledge and agree that any confidentiality, non-disclosure, non-competition, non-solicitation or other restrictive covenant contained in any prior agreement between the parties including but not limited to restrictive covenants in the Confidentiality and Non-compete Agreement, Separation Agreement, and Employment Agreement shall remain in full force and effect following the Effective Date of this Agreement, unless otherwise agreed in writing by the Parties.

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12. **Entire Agreement.** This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter.

IN WITNESS WHEREOF, each party's duly authorized representative has executed this Agreement after reading and understanding its terms.

Dynatronics Corporation

By: /s/ Jennifer Keeler

Jennifer Keeler

Title: General Counsel

Consultant Brian Baker

By: /s/ Brian Baker

Brian Baker

Title: Principal Consultant

EXHIBIT A
Confidentiality & Proprietary Rights Provisions

A. Definition. Consultant may have access to, or Company may provide to Consultant, information that Company regards as confidential or proprietary. “Confidential Information” includes information of a commercial, proprietary, or technical nature and includes, but is not limited to, the following, whether now in existence or hereafter created:

i. any information about Company’s customers of any nature whatsoever, specifically including: the fact that someone is a customer or prospective customer of Company; all lists of customers, former customers, applicants and prospective customers; and all personal or financial information relating to and identified with such persons;
ii. all business, financial or technical information of Company (including account numbers and software licensed from third parties or owned by Company or its affiliates);
iii. Company’s marketing philosophy and objectives, promotions, markets, materials, financial results, technological developments, and other similar proprietary information and materials;
iv. all information protected by rights embodied in copyrights, whether registered or unregistered (including all derivative works), patents or pending patent applications, “know how,” trade secrets and any other Intellectual Property Rights, as defined below, of Company;
v. information with respect to employees of Company that is non-public, confidential, business-related, or proprietary in nature, including names of employees, the employees’ positions within Company, the fact that they are employees of Company, contact information for employees, personal employee identification numbers, and any other information released to Consultant regarding employees in the past and in the future;
vi. any other information that Consultant should, in the exercise of reasonable business judgment, recognize as confidential; and
vii. all notes, memoranda, analyses, compilations, studies and other documents, whether prepared by Company, Consultant or others, which contain or otherwise reflect Confidential Information.

B. Essential Obligation. Consultant shall retain the Confidential Information in secret, shall not utilize the Confidential Information for the benefit of Consultant or any third party, and shall not divulge, furnish, or make accessible Confidential Information to any third party. Consultant shall use the Confidential Information solely and exclusively for the purpose of performing under or receiving the benefit of the Agreement. Upon the earlier of DYNA’s request, or the date of expiration or termination of this Agreement, Consultant will return to DYNA all documents, copies thereof, including electronic or digital copies, and other material fixed in tangible form in the possession of Consultant that pertains to the business of DYNA, including, but not limited to, Confidential Information, as well as all copies, adaptations and independent compilations thereof in Consultant’s possession.

C. Compelled Disclosure. In the event Consultant becomes legally compelled to disclose any of the Confidential Information, Consultant shall provide the Company with prompt notice so that Company may seek a protective order or other appropriate remedy. In the event that such a protective order or other remedy is not obtained, Consultant shall furnish only that portion of the Confidential Information which in the opinion of Consultant’s counsel is legally required and shall exercise commercially reasonable efforts to obtain a protective order or other reliable assurance that confidential treatment shall be accorded to the Confidential Information.

D. Return or Destruction of Confidential Information. Upon termination of this Agreement or a Statement of Work, or earlier request, Consultant must return or destroy all Confidential Information of Company, and upon request, provide Company written certification attesting to its destruction.

E. Exclusions. The term Confidential Information excludes any portion of such information that Consultant can prove: (i) was publicly available at the time the Consultant acquired the information from Company; (ii) has become publicly available other than by the Consultant’s breach of this Agreement, but the obligation of confidentiality shall cease only after the date on which such information has become publicly available; (ii) was known by Consultant prior to acquiring the information from Company; (iii) was rightfully acquired by Consultant from a source other than Company or Company’s affiliates, directors, employees, agents, or representatives, provided that such source is not prohibited from transmitting such information pursuant to any contractual, fiduciary, or legal obligation; (iv) was independently developed by Consultant without using the Confidential Information; or (v) was generally disclosed by Company to third parties without similar obligations of confidentiality.

F. Remedies. If Consultant breaches the covenants set forth in this Agreement, irreparable injury may result to Company or third parties entrusting Confidential Information to Company. Therefore, Company's remedies at law may be inadequate and Company (or such third party) will be entitled to seek an injunction to restrain any continuing breach. Notwithstanding any limitation on Consultant's liability, Company will further be entitled any other rights and remedies that it may have at law or in equity.

G. Obligations. Consultant's obligations respecting the Confidential Information disclosed by Company shall remain in effect (a) with respect to a trade secret, for so long as such information remains a trade secret and (b) for all other Confidential Information, for a period of seven (7) years from the date of expiration or termination of this Agreement.

2. Proprietary Rights.

A. Consultant and Company each acknowledge that performance of the Services may result in the creation of Work Product. Consultant and Company agree, Company is the sole and exclusive owner of and shall have all Intellectual Property Rights in the Work Products. Consultant acknowledges that the Work Products have been developed for Company for Company's sole use, and Consultant agrees not to sell, disclose, use, or otherwise exploit any of the Work Products without the prior written consent of Company. For purposes of this Agreement, "Intellectual Property Rights" means all patents (including originals, divisionals, continuations, continuations-in-part, extensions, foreign applications, utility models, and re-issues), patent applications, copyrights (including all registrations and applications therefore), trade secrets, trademarks, trademark applications and other proprietary and Intellectual Property Rights, including moral rights and "Work Product(s)" means collectively all work, materials or ideas performed, created or prepared by Consultant for Company pursuant to this Agreement, and all work, materials or ideas performed, created or prepared by Consultant pursuant to all prior agreements, both oral and written, between Consultant and Company prior to the Effective Date of this Agreement, including all programs, derivative works, source code, object code, discoveries, business concepts, inventions, innovations, improvements, materials, documentation, techniques, methods and processes that are conceived, made, proposed, or developed by Consultant, alone or with others, specifically related to any Statement of Work, whether or not prepared on or off the premises of Company or during regular work hours, but excluding any Excluded Invention, as defined below.

B. It is expressly agreed between Company and Consultant that if any Work Products are copyrightable and such Work Products fall within the definition of a "work made for hire" as defined in 17 U.S.C. § 101 and § 201(b), such Work Products will be considered a "work made for hire" and all copyrights and copyright registrations related to such copyrightable Work Products will be the sole and exclusive property of Company. To the extent that any Work Products do not fall within the definition of a "work made for hire," Consultant grants and assigns to Company without reservation, all of Consultant's worldwide ownership rights, title and interest in and to all Intellectual Property Rights in such Work Products. Such grant of rights by Consultant to Company includes the exclusive right to make copies, prepare derivative works from any Work Products, publish, publicly perform, and publicly display the Work Products with full rights to authorize others to do the same. Company's ownership will include all changes and additions to any Work Products made by either Party and all derivative works made by either Party.

During the term of this Agreement and at all times thereafter, at the request of Company, Consultant shall execute all papers, applications, assignments, and other instruments and perform all other reasonable acts that Company shall deem necessary or convenient in order to transfer, convey, and assign to Company or its nominee the sole and exclusive right, title, and interest in and to and all Intellectual Property Rights to the Work Products, and to apply for, register, perfect, confirm, establish, enforce, and protect Company's rights in the Work Products, and all expenses reasonably incurred by Consultant pursuant hereto shall be borne by Company. Consultant shall accept as final the judgment of Company on these matters. Consultant shall render aid and assistance to Company in any interference or litigation pertaining to the Work Products. Consultant will not be required to assign to Company any invention, discovery, innovation, or improvement that Consultant: (i) can show was developed prior to the commencement of Services and developed on Consultant's own time and without the use of any Company equipment, supplies, facility or Confidential Information; and, (ii) was disclosed to DYNA in writing prior to the commencement of any Services (the "Excluded Inventions"). Notwithstanding the foregoing, Consultant hereby grants to Company a non-exclusive, fully paid-up license to use all such Excluded Inventions throughout the world in perpetuity as part of the Work Product.

Exhibit 10.15

July 7, 2020

John Krier

Hand-delivered

Re: Employment Agreement with Dynatronics Corporation

Dear John:

This letter (this "Agreement") sets forth the terms of your employment as Chief Executive Officer of Dynatronics Corporation, a Utah corporation (the "Company"). Your employment under this Agreement is conditioned on your satisfactory completion of certain requirements, as more fully explained below.

Agreement:

Subject to the following terms and conditions, it is agreed as follows:

Duties:	In your capacity as Chief Executive Officer, you will perform duties and responsibilities that are commensurate with this position as the Company's principal executive officer, as well as such other duties as may be assigned to you from time to time. You will report directly to the Chairman of the Board of Directors of the Company (the "Board"). You will also serve as a member of the Board, for no additional compensation. You will have direct supervisory responsibility for and receive reports from the Company's executive officers. You agree to devote your full business time, attention and best efforts to the performance of your duties and to the furtherance of the Company's interests. Notwithstanding the foregoing, nothing in this letter shall preclude you, from devoting reasonable periods of time to charitable and community activities, and managing personal investment assets and performing the Other Employment described below, provided that none of these activities interferes with the performance of your duties hereunder or creates a conflict of interest in the judgment of the Board. The policy of the Company is that all outside board of director service, including charitable and community activities, be pre-approved by the Board. The Board's approval of this Agreement will include its consent for your service on the boards of directors of the corporations, if any, indicated in the attached Schedule I, "Approved Directorships".
Location:	The Company's principal executive offices are currently located in Eagan, Minnesota. Your duties will require you to be onsite regularly at our Eagan, Minnesota office and to travel periodically to our other facilities. You will remain on the payroll of the Company's subsidiary, Bird & Cronin, LLC.

Start Date:	Subject to satisfaction of all of the conditions described in this Agreement, your employment as Chief Executive Officer by the Company will commence on July __, 2020 (the "Start Date").
Base Salary:	In consideration of your services, you will be paid an annual base salary of $250,000 per year, payable in accordance with the standard payroll practices of the Company and subject to all withholdings and deductions as required by law.
Annual Cash Bonus:	During your employment, you will be eligible to receive an annual bonus, payable at such times and in such amounts, as determined by the Compensation Committee of the Board ("Compensation Committee"), with a maximum payout opportunity of $75,000. Actual payments will be determined based on a combination of Company results and individual performance against the applicable quantitative and qualitative performance goals established by the Compensation Committee. Any annual bonus with respect to a particular fiscal year will be paid the earlier of the date on which such bonuses are paid to other executives of the Company for the same fiscal period or a date which is within three (3) months following the end of the fiscal year for which the bonus is earned. You must remain continuously employed through the bonus payment date to be eligible to receive an annual bonus payment for a particular fiscal year. Your first annual bonus will be payable after the completion of the fiscal year ending June 30, 2021.
Equity Grants:	At the next regularly scheduled meeting of the Compensation Committee following your Start Date, the Compensation Committee will consider a grant to you of an equity award in the form of (1) restricted stock units ("RSUs") for 50,000 shares, and (2) a stock option for the purchase of 15,000 shares of common stock. The value of the RSUs will be based on the market price of the Company's common stock on the date of grant. The value of the stock options will be based on a grant date fair value generally estimated using a Black-Scholes or similar model; the exercise price of the options will be based on the market price of the Company's common stock on the date of grant. The initial equity award above shall vest in equal amounts of twenty-five percent (25%) each on the first, second, third and fourth anniversaries of the date of grant of such award. In addition, for each full fiscal year of employment, you will be eligible to receive annual equity awards, as determined by the Compensation Committee, in the form of RSUs, valued at $75,000, with such grants to vest fifty percent (50%) on the date of grant and fifty percent (50%) on the first anniversary of the date of grant. The actual number of shares included in any future equity awards hereunder and all other terms and conditions applicable to each such award shall be determined by the Compensation Committee. The value of such equity awards will be determined based on the market price of the Company's common stock on the date of grant of such awards. Equity awards will be subject to the terms and conditions of the Company's 2015 Equity Incentive Award Plan, the 2018 Equity Incentive Plan, or any successor plan adopted by the Company pursuant to which such awards may be made, and the applicable award agreement.

Benefits and Perquisites:

You will be eligible to participate in the employee benefit plans and programs generally available to the Company's senior executives, as outlined in the current "Dynatronics Benefits Guide" which is attached as Exhibit A and incorporated herein by reference, subject to the terms and conditions of such plans and programs. You will also be entitled to the fringe benefits and perquisites that may be made available from time to time to other top executives of the Company at the discretion of the Compensation Committee, in accordance with and subject to the eligibility and provisions of such plans and programs. The Company reserves the right to amend, modify or terminate any of its benefit plans or programs at any time and for any reason.

Other Employment:

Until April 2021, Dynatronics allows you to be a part-time consultant for Breg based on the Consulting Agreement between you and Breg that you provided to Dynatronics. However, you acknowledge that you will be able to dedicate your time and energy to DYNA on a full-time basis and fulfill all your obligations and duties. Likewise, you may not extend your Consulting Agreement with Breg and may not engage in any other secondary employment or consulting services without advanced written permission from Dynatronics Board of Directors, whose permission may be withheld for any reason.

Tax Withholdings:

All forms of compensation paid to you as an employee of the Company shall be less all applicable withholdings.

Term; At Will Employee:

Your employment will be for no specific period of time. Rather, your employment will be at-will, meaning that you or the Company may terminate the employment relationship at any time, with or without Cause (as defined below), and with or without notice and for any reason or no particular reason. Although your compensation and benefits may change from time to time, the at-will nature of your employment may only be changed by an express written agreement signed by an authorized officer of the Company.

Insurance; Indemnification:

You will be covered under the Company's Directors and Officers Liability policy. In addition, Utah corporation law and the Company's articles of incorporation and bylaws, each as amended, provide certain indemnification rights and limitation of liability for officers and directors of the Company performing their duties in good faith. In addition, the Company has entered into indemnification agreements with its Board and certain of its executive officers.

Securities and Exchange Commission Regulations:

As an executive officer of a public company, you will be subject to rules and regulations of the Securities and Exchange Commission ("SEC") and the Nasdaq Stock Exchange ("NASDAQ"), including requirements that you report your beneficial ownership of and trading activity involving the Company's equity securities and file reports with the SEC. We will provide training on these requirements and assist you in complying with all regulations. These regulations limit when you may trade our securities. In addition, we are required to include information regarding you and your education and professional background to the SEC and NASDAQ. You will be required to comply with these regulations. A copy of the Company's Insider Trading Policy is attached hereto as Exhibit B. This Agreement, and your employment hereunder, are conditioned, among other things, upon your representation and warranty that you are not under any disciplinary bar or restriction from the SEC, NASDAQ or any other regulatory agency from serving as an executive officer of a public company.

Representations; Prior Restrictions and Covenants:	Upon execution of this Agreement you represent that you have read and understood, and that you accept all of the terms of employment as provided in this Agreement, that you have not relied on any agreements or representations, express or implied, that are not set forth expressly in this Agreement, and that this Agreement supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to the subject matter of this Agreement.
Confidentiality and Non-Competition Agreement:	As a condition of employment, you will be required to sign an agreement that will: (i) restrict your ability to be employed by a competitor of the Company during and for one year following termination of your employment, and (ii) prohibit your solicitation of the Company's customers and employees during your employment and for a period of two years following termination of your employment. The form of such agreement, an "Agreement Regarding Confidential Information, Ownership of Inventions, Non-Competition, Customer Non-Solicitation, and Employee Non-Solicitation Covenants and Acknowledgment of At-Will Employment" ("Confidentiality Agreement") is attached hereto as Exhibit C and by this reference incorporated in and made a part hereof.
Termination Without Cause:	Notwithstanding that your employment with the Company is "at will", if we terminate your employment during the first twelve (12) months for any reason other than for Cause, you will be entitled to cash severance in an amount equal to ninety (90) days of your then-current annual base salary. In addition, fifty percent (50%) of the initial equity grant previously made to you will vest immediately upon your termination, subject to your execution, and non-revocation, of a release of claims in a form provided by the Company. "Cause" shall mean: (i) failure to perform (other than any such failure resulting from incapacity due to physical or mental illness) to the reasonable satisfaction of the Company your duties and responsibilities assigned by the Board which failure continues, in the reasonable judgment of the Board, for more than fifteen (15) days following written notice of such failure; (ii) failure to comply with any valid and legal directive of the Board, which failure is not cured within fifteen (15) days of notice thereof; (iii) engagement in dishonesty, illegal conduct, or gross misconduct, which is, in each case, injurious to the Company or its affiliates; (iv) embezzlement, misappropriation, or fraud, whether or not related to your employment with the Company; (v) conviction of or plea of guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude; (vi) breach of the Confidentiality Agreement to be entered into by you, unless such breach is cured pursuant to the terms of such agreement; (vii) material breach of any material obligation under this or any other written agreement between you and the Company which continues without cure for a period of fifteen (15) days following notice thereof; or (viii) any material failure to comply with the Company's policies or rules, as they may be in effect from time to time during the term of your employment through your willful misconduct or negligence.

Section 409A and Section 280G:	Payments in event of termination, including in the event of a Change in Control, shall be subject to applicable tax law and regulations, including, without limitation, Section 409A and Section 280G of the Internal Revenue Code, as amended, as provided in the release agreement to be executed at the time of termination, provided, that we mutually agree to cooperate to minimize the amount of tax payable by both you and the Company in connection with such payments.
Clawback:	Any incentive-based or other compensation, paid to you under this Agreement or any other agreement or arrangement with the Company which is subject to recovery under any law, government regulation, or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation, or stock exchange listing requirement (whether currently in existence or later adopted) or any policy established by the Company pursuant to any such law, government regulation or stock exchange listing requirement.
Governing Law, Severability, Modification, Execution:	This Agreement shall be governed by the laws of the State of New York, without regard to conflict of law principles. In the event any of the provisions hereof (including any portion thereof) are held by a court of competent jurisdiction to be invalid, illegal, void or otherwise unenforceable, the remaining provisions shall remain enforceable to the fullest extent permitted by law. No supplement, modification or amendment shall be binding unless executed in writing by both you and the Company. No waiver of any provision shall be binding unless in writing signed by the party against whom enforcement of the waiver is sought, and no such waiver shall operate as a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver.

Your employment under this Agreement is contingent upon the following conditions precedent, each of which must be completed to the satisfaction of the Company if not expressly waived in advance by the Company in writing:

1. Supplementation, as necessary, of applicable U.S. right to work documentation on file with the Company (including, for example, Form I-9 and referenced documentation verifying your identity and work authorization).

2. Continued compliance with Company employment testing including drug screening and, if reasonably required, satisfactory completion of a background investigation, for which the required notice and consent forms will be provided to you.

3. Your execution of the Company's (A) Agreement Regarding Confidential Information, Ownership of Inventions, Non-Competition, Customer Non-Solicitation, and Employee Non-Solicitation Covenants and Acknowledgment of At-Will Employment, (B) Insider Trading Policy Acknowledgement, (C) Officer/Director Questionnaire, (D) Indemnification Agreement.

4. Final approval of the Board of all terms and conditions of your employment hereunder.

5. Your execution of this Agreement before the close of business on July 7, 2020.

Please sign below and return a copy of this Agreement to me.

DYNATRONICS CORPORATION

Erin S. Enright,
Chairman of the Board of Directors

Accepted and Agreed

/s/ John Krier
John Krier
Date: July 7, 2020

CERTAIN PORTIONS OF THE EXHIBIT THAT ARE NOT MATERIAL AND WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED HAVE BEEN REDACTED PURSUANT TO ITEM 601(b)(10)(iv) OF REGULATION S-K. [***] INDICATES THAT INFORMATION HAS BEEN REDACTED.

Brian Baker
President & CEO
Dynatronics Corporation
7030 Park Center Dr.
Salt Lake City, Utah 84121

This document constitutes a formal Master Service Agreement (the "Agreement") between Dynatronics ("Customer") and Millstone Medical Outsourcing, LLC ("Millstone"). This Agreement will begin as of the date that this Agreement is executed by both parties and shall remain in effect for an initial term of three (3) years from that date and may be extended or terminated pursuant to the terms of this Agreement.

The specific details of engineering, packaging, audit or other service arrangements will be detailed in one or more Statements of Work, Quality Agreements, and/or Master Batch Record, all of which are hereby incorporated by reference into this Agreement. Pricing will be set forth in each applicable Statement of Work.

STANDARD TERMS AND CONDITIONS

1. Performance. Millstone will provide Customer with all services and work set forth in the Statements of Work and/or Master Batch Record (the "Services") by and between the parties to this Agreement in consideration of the fees set forth in each Statement of Work. From time to time, Customer may provide Millstone with a Purchase Order (requesting the performance of Services and/or additional services not otherwise set forth in a Statement of Work (any such additional services shall be included in the definition of Services). This Agreement, together with any duly-executed Quality Agreement, Statement(s) of Work, Master Batch Record, Non-Disclosure Agreement and any Purchase Orders taken together constitute this Agreement.

2. Term and Termination. This Agreement shall commence as of the date that this Agreement is executed by both parties (the "Effective Date") and shall extend for an initial period of three (3) years from the Effective Date and shall thereafter automatically renew each year for successive one (1) year terms unless terminated earlier in accordance with this Agreement; provided, however, that the terms and conditions of this Agreement shall remain in effect beyond the expiration of the current term or any termination pursuant to section 2(b)(iii) until the expiration of any Statements of Work or Purchase Orders outstanding as of the date of termination and the full and complete payment by Customer for Services provided thereunder. Any reference in this Agreement to "term" shall refer to the current term whether it is the initial three (3) year term or any renewal term.

    a) Either party may terminate this Agreement (i) upon not less than [***] days written notice in the event the other party materially breaches its obligations hereunder, unless such breach has been cured within such [***] day period, or within a reasonably extended period if Customer has begun to cure the breach and Millstone has agreed to an extended cure period, or (ii) upon written notice, effective immediately, if the breach is causing continuing damage or loss to the non-breaching party and such breach is incapable of cure. Failure to make timely payment for the Services provided by Millstone hereunder shall constitute a material breach of this Agreement.

b) Either party may terminate this Agreement by written notice if:

i. the other party petitions for relief under any bankruptcy law or if any bankruptcy petition should be filed against the other party and the same is not discharged within thirty (30) days; the other party is the subject of an involuntary petition in bankruptcy; a receiver is appointed for the business of the other party; the other party makes an assignment for the benefit of creditors; the other party is unable to pay its debts as they fall due; the other party altogether ceases to do business;

ii. total destruction of the premises where the Services are provided or partial destruction of such premises if the partial destruction prohibits Millstone from satisfactorily performing the Services; or

iii. the terminating party provides at least [***] days prior written notice to the other party. The terminating party may terminate with or without cause if such termination is made pursuant to this Section 2(b)(iii).

c) In the event either party exercises its right to termination for any reason pursuant to this Agreement, Customer shall pay Millstone for the Services performed up to the date of termination within thirty (30) business days of the date of termination and for the amount of any Services provided after the date of termination, as applicable, pursuant to Section 2(a) and in accordance with the invoices pertaining to such Services.

d) Any conditions of this Agreement which by their terms or nature extend beyond the termination or cancellation of this Agreement shall remain in effect and shall apply to the parties' respective successors and permitted assignees.

3. Conflicts. In the event of an express conflict between a provision of this Agreement, a Statement(s) of Work, and/or a Purchase Order, this Agreement shall prevail over the Statement(s) of Work and the Statement(s) of Work shall prevail over any Purchase Order. The terms of this Agreement shall prevail over the terms of any Quality Agreement. In the event of an express conflict among provisions of this Agreement and any other manner of subsequent agreement between Customer and Millstone with respect to the subject matter hereof, the terms of this Agreement, in the order set forth above in this Section 3, shall prevail. Notwithstanding the foregoing, if any subsequent agreement, including, without limitation, a Statement of Work or Purchase Order, expressly references this Agreement and states that a specific term(s) or provision(s) of the subsequent agreement shall prevail, then such specific term(s) or provision(s) of the subsequent agreement shall prevail over the terms of this Agreement.

4. Pricing and Billing.

As consideration for Millstone's performance hereunder, Customer will pay to Millstone all fees based upon pricing and billing terms and conditions for the Services as set forth in the Statement(s) of Work or accompanying schedules or attachments.

Millstone will provide Customer with a monthly or weekly invoice for all Services performed during the particular period to which a particular invoice applies. All periodic charges will be invoiced at the beginning of each month or period. For validation services, Customer shall prepay fees for the writing of documents. Execution and test fees will be invoiced when samples are sent out to the third party test facilities. If test costs are greater than the estimate provided, Millstone will pass through the difference to the Customer. Customer will pay such invoices via EFT within thirty (30) days after receipt thereof. With all past due amounts, interest shall accrue at a rate of [***] per annum.

5. Limitation of Liability/Customer's Risk of Loss.

(a) Limitation of Liability Generally and Customer's Risk of Loss. Millstone's aggregate maximum liability to Customer with respect to any expense, damages, loss, injury or liability of any kind or from any cause whatsoever, and regardless of the form or cause of action shall not exceed Millstone's net service revenues actually collected by Millstone from Company in the six (6) months immediately preceding the event giving rise to such liability. Millstone shall be liable only for proven actual damages incurred as a direct result of Millstone's material breach of this Agreement, and not for any other reason except Millstone's gross negligence, willful misconduct. MILLSTONE SHALL NOT BE LIABLE FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE, OR SPECIAL LOSSES OR DAMAGES TO CUSTOMER, INCLUDING, WITHOUT LIMITATION, ANY LOSS OF PROFIT OR LOSS OF USE EVEN IF MILLSTONE IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES OR DAMAGES. Customer may not exercise any right of set-off with respect to payments due to Millstone. Customer acknowledges and agrees that all products, materials, and any other Customer property shall remain owned by Customer at all times and Customer shall be responsible for notifying its creditors, as applicable, and for insuring products, implants, kits and any other Customer property while at the Millstone facilities, in transit, or stored at off-site locations. AS SUCH, NOTWITHSTANDING ANY PROVISION HEREIN TO THE CONTRARY, CUSTOMER EXPRESSLY ACKNOWLEDGES AND AGREES THAT CUSTOMER ASSUMES THE RISK OF LOSS AND MILLSTONE SHALL HAVE NO LIABILITY FOR LOSS OF OR DAMAGE TO ANY OR ALL CUSTOMER PROPERTY IN MILLSTONE'S FACILITIES, IN TRANSIT, OR STORED OFF-SITE, FOR LOSS RESULTING FROM ANY REASON, INCLUDING WITHOUT LIMITATION, LOSS RESULTING FROM FIRE OR OTHER CASUALTY, FAILURE OF MILLSTONE'S ENVIRONMENTAL CONTROLS, OR ANY CAUSE REASONABLY BEYOND THE CONTROL OF MILLSTONE (INCLUDING, WITHOUT LIMITATION, ACTS OF NATURE AND CHANGES IN APPLICABLE LAWS OR REGULATIONS), EXCEPT THAT THIS PROVISION SHALL NOT APPLY TO LOSS RESULTING FROM MILLSTONE'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

(b) Special Limitation of Liability for Shipment or Packaging Failure. Millstone will process all shipments in accordance with client-approved documentation and client-supplied shipment configuration validations when applicable. Millstone will use best efforts to ensure product safety and integrity in preparing product for shipment and ship product via the requested shipment method. Millstone's aggregate maximum liability to Customer with respect to any expense, damages, loss, injury or liability to the extent caused by any negligence or willful misconduct of a third party courier (e.g. Federal Express) shall not exceed [***] per shipment, subject to the aggregate limit set forth in Section 5(a). Further, Millstone shall not be liable for damage to Customer's products other than (i) for proven actual losses and damages incurred as a direct result of Millstone's failure to comply with client-approved documentation and client-supplied shipment configuration validations as set forth in any Statements of Work or Quality Agreement, (ii) Millstone's failure to comply with packing and shipping industry standards, or (iii) Millstone's gross negligence.

(c) No Liability for Adherence to Customer Instructions. Notwithstanding any provision herein to the contrary, Millstone shall have no liability to Customer for any claims, losses or expenses to the extent directly caused by Millstone's adherence to the instructions and/or procedures designated in writing by and specific to Customer (whether set forth in a Statement of Work, Quality Agreement or otherwise).

6. Indemnity.

a) Millstone agrees that it shall indemnify and hold harmless Customer, its subsidiaries, affiliates, successors, assigns, officers, directors, managers, agents and representatives, (collectively, "Customer Indemnified Parties") to the fullest extent permitted by law, from and against all losses, liabilities, damages, and expenses (including reasonable attorneys' fees) incurred by Customer Indemnified Parties in any third party claim, action, or lawsuit, to the extent such losses, liabilities, damages, and expenses are finally determined by a court of competent jurisdiction (or by specific reference in a settlement of litigation consented to by Millstone) to have been directly caused by Millstone's breach of a material obligation of Millstone under this Agreement, except to the extent that such losses, liabilities, damages, and expenses resulted from Customer's negligence or willful misconduct. If Customer seeks indemnification hereunder from Millstone with respect to a third party claim, Customer will notify Millstone as promptly as practicable and give Millstone an opportunity to defend the claim. Customer will extend reasonable cooperation in connection with such defense. If Millstone fails to defend the claim within a reasonable time, Customer may assume the defense thereof, and Millstone will repay Customer for all expenses incurred in connection with such defense (including reasonable attorneys' fees, settlement payments and payments of judgments) until Millstone assumes such defense. The foregoing indemnity obligations will extend only to the losses, costs or expenses actually suffered by Customer, reduced by any offsetting funds or services received from any third party including any insurer. Customer Indemnified Parties must approve any resolution or course of action in a matter that could directly or indirectly have any adverse effect on Customer Indemnified Parties or could serve as a precedent for other matters. Millstone's indemnification obligations shall be subject to the terms and limitations set forth in Section 5 and Section 6(c).

b) Customer agrees that it shall indemnify and hold harmless Millstone, its subsidiaries, affiliates, successors, assigns, officers, directors, managers, employees, agents and representatives (collectively, "Millstone Indemnified Parties"), to the fullest extent permitted by law, from and against all losses, liabilities, damages, and expenses incurred by Millstone Indemnified Parties in any third party claim, action, or lawsuit, to the extent such losses, liabilities, damages, and expenses are directly caused by (i) any breach of or failure by Customer to perform any of its representations, warranties, covenants or material obligations set forth in this Agreement, (ii) Customer's property or products violating a third party's rights, including without limitation, a third party's intellectual property rights, (iii) Customer's breach or violation of any law, regulation, or ruling, or (iv) any act, error or omission (active or passive) constituting negligence or willful misconduct by Customer or its officers, directors, employees, agents, or affiliates. However, Customer has no obligation to indemnify Millstone Indemnified Parties to the extent the liability for which Millstone Indemnified Parties seek indemnification was caused by the negligence or willful misconduct of any Millstone Indemnified Parties. Customer will respond promptly to any matter described above, and defend Millstone Indemnified Parties. Customer will reimburse Millstone Indemnified Parties for all costs of defending the matter, including reasonable attorneys' fees, incurred by Millstone Indemnified Parties if Customer or Customer's insurer does not assume defense because of actual or potential conflicts of interest. Millstone Indemnified Parties must approve any resolution or course of action in a matter that could directly or indirectly have any adverse effect on Millstone Indemnified Parties or could serve as a precedent for other matters.

c) Notwithstanding anything herein to the contrary, Millstone shall have no liability or obligation to indemnify any Customer Indemnified Parties for any claims, losses or expenses arising out of Millstone's acts or omissions, if such acts or omissions are a result of Millstone's adherence to the risk characteristics and/or procedures designated or otherwise agreed to by Customer in any Statements of Work, Quality Agreement, Purchase Order, Master Batch Record and/or other valid agreement between Customer and Millstone.

7. Insurance. Millstone shall, at its own cost and expense, maintain insurance in form and coverage in accordance with industry standard business practices and standards. Millstone shall furnish Customer with proof of such insurance upon Customer's reasonable request. Customer shall, at its own cost and expense, maintain insurance in form and coverage in accordance with industry standard business practices and standards, but in any event, with minimum liability limits of [***]. Such coverage limit shall in no way limit Customer's liability to Millstone hereunder. As set forth in Section 5, Customer shall be responsible for insuring all of Customer's products, implants, kits and any other Customer property while at Millstone facilities, in transit, or stored at off-site locations. Customer shall provide certificate(s) of insurance to Millstone evidencing compliance with the foregoing upon Millstone's reasonable request. Customer shall provide at least thirty (30) days' written notice to Millstone of any cancellation of any of Customer's insurance policies relevant to coverage for indemnification, risk of loss, or any other liability of Customer hereunder. If either party neglects to maintain sufficient insurance, it shall be directly responsible to the other for any losses arising hereunder. Customer shall not require Millstone to include Customer as an "additional insured" or "loss payee" on any Millstone insurance policy.

8. Compliance with Laws. Each party hereto shall comply strictly with all applicable federal, state and local laws, rules and regulations (collectively, "Laws") imposed by any governmental authority on any activity of either party hereunder, and this Agreement is made subject to all such Laws in effect now or in the future.

9. Non-solicitation. During the term of this Agreement and for a period of one (1) year thereafter, Customer shall not solicit, or use temporary services contractors to solicit any employees or contractors of Millstone directly or indirectly rendering services hereunder. In addition to its other remedies at law and in equity, Millstone shall be entitled to seek injunctive relief to enforce this provision or any other provision set forth in this Agreement.

10. Proprietary Information; Confidentiality and Non-Disclosure. Millstone and Customer agree to hold in confidence, any information which has been designated, either in writing or verbally, by the disclosing party as confidential information or is otherwise by its nature confidential or proprietary to the disclosing party, including but not limited to financial and other business information ("Proprietary Information"). Proprietary Information will be maintained in confidence for the term of this Agreement and thereafter. All Proprietary Information will be returned by the receiving party to the disclosing party when it is no longer needed or upon the termination of this Agreement, whichever comes first. Proprietary Information does not include (i) information lawfully in the possession of the receiving party prior to the disclosure by the disclosing party, (ii) information which becomes known to the general public through no act or omission of the receiving party and (iii) information which is lawfully disclosed to the receiving party by a third party. Neither Millstone nor Customer shall use, reproduce, copy or disclose any of the other party's Proprietary Information, in whole or in part, without the written consent of the other party, except that Proprietary Information of one party may be used, reproduced, copied or disclosed to others by the other party on a confidential basis when such use, reproduction, copy or disclosure is necessary for the receiving party to perform Services, any Additional Services and/or any other covenants or other obligations under this Agreement.

11. Assignment; Subcontractors. Customer hereby consents to the assignment and transfer of this Agreement by Millstone to any third party in connection with the transfer of substantially all of Millstone's assets, the sale of a majority of Millstone's outstanding membership or other ownership interests, or a merger in which Millstone is not the surviving entity. No other assignment or transfer of this Agreement shall occur without the prior written consent of the non-transferring party. Millstone may use one or more subcontractors in the performances of Services under this Agreement; provided, however, that Millstone shall ensure that such subcontractors shall abide by and comply with the terms of this Agreement, as applicable, and further provided that the use of such subcontractors shall not relieve Millstone from any obligations hereunder and Millstone shall be responsible for such subcontractors' performance.

12. Representations and Warranties.

    a) Millstone represents and warrants that all Services shall be performed in a workmanlike manner and as may be further defined in the Statement(s) of Work, a Purchase Order, the Master Batch Record and/or Quality Agreement. Millstone shall maintain the premises where the Services are provided in a neat, clean and orderly manner.

    b) Except as provided in Section 13(a) above, Millstone makes no representations or warranties to Customer, express or implied, including without limitation implied warranties of result, infringement, merchantability or fitness for a particular purpose, design or use, or implied warranties arising from course of dealing, usage and trade or course of performance.

    c) Customer represents and warrants to Millstone that all incoming shipments of Customer products to Millstone have been adequately decontaminated prior to shipment to Millstone, per federal regulatory requirements. Customer represents and warrants that all goods shipped from Customer facilities to Millstone are free of blood borne pathogens and other harmful contaminants prior to forwarding to Millstone.

    d) Customer represents and warrants that the products, materials, and other Customer property, provided to Millstone in connection with performance of the Services, including, without limitation, the design or operation of such products, materials, and other Customer property, do not infringe upon, misappropriate or otherwise violate any right of any third party, including, but not limited to, intellectual property rights of a third party.

    e) Customer represents and warrants that it is in compliance with the insurance coverage requirements set forth in Section 7.

    f) Customer acknowledges and agrees that this Agreement applies only to the processing of Customer products; no other Customer company, division or affiliate of Customer is covered except as may be set forth in Section 6 or except as otherwise permitted under this Agreement.

13. Invalid Provisions. If any provision of this Agreement is held to be unenforceable, the unenforceable provision shall be construed as nearly as possible to reflect the original intent of the parties and the remaining provisions shall remain in full force and effect.

14. No Third Party Reliance. Except as otherwise expressly set forth herein, the terms and conditions set forth in this Agreement are not intended for, nor shall they be for the benefit of or enforceable by, any person or entity that is not a party to this Agreement.

15. Governing Law; Disputes; Venue. This Agreement will be subject to the laws of the Commonwealth of Massachusetts without regard to its choice of law principles. Any and all disputes arising hereunder shall be resolved by binding arbitration before a single arbitrator in Boston, Massachusetts in accordance with the rules of the American Arbitration Association. Each party hereby consents to the selection of such exclusive venue. The costs of such arbitrator shall be paid one-half by Millstone and one-half by Customer, unless the arbitrator imposes an alternative arrangement. The ruling of such arbitrator shall be final, binding and not subject to appeal. The arbitrator shall have the authority to order the reimbursement of legal fees and expenses in connection with its ruling.

16. Entire Agreement; Counterparts; Amendments. This Agreement, together with its applicable attachments and exhibits, constitutes one and the same legally binding instrument and the entire agreement between the parties with respect to its subject matter and supersedes all prior offers, contracts, agreements, representations, and understandings made to or with Customer, whether oral or written, relating to the subject matter hereof. All amendments to this Agreement shall be in writing and signed by authorized representatives of the parties. The Agreement may be executed in counterparts and each such counterpart shall constitute a single agreement. Executed signature pages transmitted by facsimile or electronically shall be deemed original signatures.

17. Independent Contractors. All parties shall be independent contractors, maintaining complete control over their respective personnel and operations. Nothing herein shall be deemed to constitute any party to be the partner of the other, or to constitute either the agent or legal representative of the other, or to create any fiduciary relationship between them.

18. Notices. Any notice, proposal or communication required or permitted to be given hereunder shall be given in writing and shall be delivered (i) in person, (ii) by registered mail, postage prepaid, return receipt requested, or (iii) by facsimile, addressed as follows:

To Millstone:
580 Commerce Drive
Fall River, MA 02720
Fax: 508-679-8414
Attn: Karl Neuberger

To Customer:
7030 Park City Dr.
Salt Lake City, Utah 84121
Attn: Brian Baker

19. Force Majeure. If because of force majeure, Millstone is unable to carry out any of its obligations under this Agreement and if Millstone promptly notifies Customer in writing, expressly claiming such force majeure, Millstone's obligations under the Contract shall be suspended to the extent made necessary by such force majeure. All costs of Customer incurred during a force majeure suspension of the Agreement, including but not limited to the value of the product and all costs concerning the manufacture and delivery of the product, shall be solely at Customer's expense, and Millstone disclaims all liability for any costs incurred by Customer. As used herein, "force majeure" means any cause reasonably beyond the control and without fault or negligence of Millstone, including but not limited to fire, flood, lightening, explosion, war, strike, embargo, labor dispute, government requirement, power outage, civil or military authority, act of god or nature, inability to secure materials or transportation facilities, act or omission of carriers or suppliers, acts or failures to act of any governmental authority, or any other causes beyond Millstone's reasonable control whether or not similar to the foregoing, which wholly or substantially prevents the packing, transportation, loading, unloading, delivery, or storing of the product.

20. Waiver. The failure of any party to insist in any one instance or more upon strict performance of any of the terms and conditions hereof, or to exercise any right or privilege herein conferred, shall not be construed as a waiver of such terms, conditions, rights or privileges, but same shall continue to remain in full force and effect. Any waiver by any party of any violation of, reach of or default under any provision of this Agreement shall be in writing, and unless such written waiver otherwise specifically stipulates, shall not be construed as, or constitute, a continuing waiver of such provision, or waiver of any other violation of, breach of or default under any other provision of this Agreement.

21. Non-Exclusive Agreement. Nothing in this Agreement shall prohibit Millstone from performing like or similar services for any other person or entity.

22. Headings. Section headings in this Agreement included only as a matter of convenience for reference only and shall not be given any effect in construing this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date set forth below by their respective duly authorized representatives.

Accepted and Agreed to:

	Dynatronics Corporation		Millstone Medical Outsourcing, LLC
By:	/s/ Brian Baker	By:	/s/ Karl Neuberger
Name:	Brian Baker	Name:	Karl Neuberger
Title:	President & CEO	Title:	Chief Executive Officer
Date:	July 8, 2020	Date:	July 8, 2020

Exhibit 21

Dynatronics Corporation

Subsidiaries

Dynatronics Corporation has four wholly-owned subsidiaries:

(1) Dynatronics Distribution Co. LLC, a Utah limited liability company formed to facilitate the acquisition of six distribution businesses in 2007;

(2) Hausmann Enterprises, LLC, a Utah limited liability company, formed to facilitate the acquisition and subsequent operation of a manufacturing and distribution business in 2016;

(3) Dynatronics Medical Products, LLC, a Utah limited liability company, formed to facilitate the acquisition of a manufacturing and distribution business in 2017; and

(4) Bird & Cronin, LLC, a Utah limited liability company, formed to facilitate the acquisition and subsequent operation of a manufacturing and distribution business in 2017.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in Registration Statements on Form S-3 (Nos. 333-220959, as amended, 333-224930, as amended, 333-205934, as amended, 333-215800, as amended, and 333-217322, as amended) of Dynatronics Corporation of our report dated September 24, 2020, relating to our audit of the June 30, 2020 consolidated financial statements, which appears in this Annual Report on Form 10-K of Dynatronics Corporation.

/s/ Tanner LLC

Salt Lake City, Utah
September 24, 2020

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John A. Krier, certify that:

1. I have reviewed this Annual Report on Form 10-K of Dynatronics Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 24, 2020

By: /s/ John A. Krier
John A. Krier
President and Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

Exhibit 32.1

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, John A. Krier, the Chief Executive Officer and Principal Financial Officer hereby certify, that, to my knowledge:

(1) The Annual Report on Form 10-K for the period ended June 30, 2020 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 24, 2020

By: /s/ John A. Krier
John A. Krier
President and Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

[A signed original of this written statement required by Section 906 has been provided to Dynatronics Corporation and will be retained by Dynatronics Corporation and furnished to the Securities and Exchange Commission or its staff upon request.]