

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## DYNATRONICS CORP

**Form: 10-Q**

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Corporate Issuer CIK: 720875

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 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  
(State or other jurisdiction of incorporation or organization)

87-0398434  
(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

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 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

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 Exchange Act). Yes  No

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

As of May 6, 2020, there were 13,803,855 shares of the issuer's common stock outstanding.

DYNATRONICS CORPORATION  
FORM 10-Q  
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2020  
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

DYNATRONICS CORPORATION  
Condensed Consolidated Balance Sheets  
(Unaudited)

Assets	March 31, 2020	June 30, 2019
Current assets:		
Cash and cash equivalents	\$ 1,428,957	\$ 155,520
Restricted cash	100,636	100,510
Trade accounts receivable, less allowance for doubtful accounts of \$103,462 and \$89,500 as of March 31, 2020 and June 30, 2019, respectively	6,635,441	7,495,309
Inventories, net	11,322,887	11,527,521
Prepaid expenses and other receivables	764,256	634,837
<b>Total current assets</b>	<b>20,252,177</b>	<b>19,913,697</b>
Property and equipment, net	5,157,470	5,677,419
Operating lease assets	3,045,883	-
Intangible assets, net	5,864,087	6,407,374
Goodwill	7,116,614	7,116,614
Other assets	607,315	516,841
<b>Total assets</b>	<b>\$ 42,043,546</b>	<b>\$ 39,631,945</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 5,539,558	\$ 3,989,546
Accrued payroll and benefits expense	1,479,462	1,373,481
Accrued expenses	767,633	1,038,726
Warranty reserve	207,988	207,988
Line of credit	6,368,559	6,540,639
Current portion of long-term debt	148,922	173,921
Current portion of finance lease liability	311,073	283,781
Current portion of deferred gain	150,448	150,448
Current portion of operating lease liability	902,476	-
Acquisition earn-out liability	-	500,000
Income tax payable	7,351	16,751
<b>Total current liabilities</b>	<b>15,883,470</b>	<b>14,275,281</b>
Long-term debt, net of current portion	22,073	129,428
Finance lease liability, net of current portion	2,679,110	2,915,241
Deferred gain, net of current portion	1,266,270	1,379,105
Operating lease liability, net of current portion	2,143,407	-
Other liabilities	190,160	177,181
<b>Total liabilities</b>	<b>22,184,490</b>	<b>18,876,236</b>
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 March 31, 2020 and June 30, 2019, respectively	8,770,798	11,641,816
Common stock, no par value: Authorized 100,000,000 shares; 10,407,775 shares and 8,417,793 shares issued and outstanding as of March 31, 2020 and June 30, 2019, respectively	24,962,007	21,320,106
Accumulated deficit	(13,873,749)	(12,206,213)
<b>Total stockholders' equity</b>	<b>19,859,056</b>	<b>20,755,709</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 42,043,546</b>	<b>\$ 39,631,945</b>

See accompanying notes to condensed consolidated financial statements.

**DYNATRONICS CORPORATION**  
**Condensed Consolidated Statements of Operations**  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2020	2019	2020	2019
Net sales	\$ 13,706,319	\$ 14,551,519	\$ 45,292,860	\$ 47,057,320
Cost of sales	9,761,864	10,146,361	31,608,541	32,425,066
Gross profit	3,944,455	4,405,158	13,684,319	14,632,254
Selling, general, and administrative expenses	4,907,363	4,818,093	14,450,155	15,087,393
Operating loss	(962,908)	(412,935)	(765,836)	(455,139)
Other (expense) income:				
Interest expense, net	(110,101)	(124,477)	(351,382)	(387,107)
Other (expense) income, net	(18,193)	6,905	(12,809)	390,459
Net other (expense) income	(128,294)	(117,572)	(364,191)	3,352
Loss before income taxes	(1,091,202)	(530,507)	(1,130,027)	(451,787)
Income tax (provision) benefit	-	(32,880)	-	(236,829)
Net loss	(1,091,202)	(563,387)	(1,130,027)	(688,616)
Deemed dividend on convertible preferred stock and accretion of discount	(65,219)	-	(173,758)	-
Preferred stock dividend, in common stock, issued or to be issued	(168,356)	(196,240)	(537,509)	(586,145)
Net loss attributable to common stockholders	\$ (1,324,777)	\$ (759,627)	\$ (1,841,294)	\$ (1,274,761)
Net loss per common share				
Basic and diluted	\$ (0.13)	\$ (0.09)	\$ (0.20)	\$ (0.16)
Weighted-average common shares outstanding:				
Basic and diluted	10,168,596	8,307,117	9,216,027	8,189,890

See accompanying notes to condensed consolidated financial statements.

**DYNATRONICS CORPORATION**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**(Unaudited)**

	Common stock		Preferred stock		Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares	Amount		
<b>Balance at June 30, 2018</b>	8,089,398	\$ 20,225,107	4,899,000	\$ 11,641,816	\$(10,490,141)	\$ 21,376,782
Stock-based compensation	5,000	43,658	-	-	-	43,658
Preferred stock dividend, in common stock, issued or to be issued	66,631	186,637	-	-	(186,637)	-
Net income	-	-	-	-	315,601	315,601
<b>Balance at September 30, 2018</b>	8,161,029	20,455,402	4,899,000	11,641,816	(10,361,177)	21,736,041
Stock-based compensation	-	56,082	-	-	-	56,082
Preferred stock dividend, in common stock, issued or to be issued	65,494	203,268	-	-	(203,268)	-
Reduction in equity retained for acquisition holdback	(37,708)	-	-	-	-	-
Net loss	-	-	-	-	(440,830)	(440,830)
<b>Balance at December 31, 2018</b>	8,188,815	20,714,752	4,899,000	11,641,816	(11,005,275)	21,351,293
Stock-based compensation	58,998	85,566	-	-	-	85,566
Preferred stock dividend, in common stock, issued or to be issued	74,731	196,240	-	-	(196,240)	-
Net loss	-	-	-	-	(563,387)	(563,387)
<b>Balance at March 31, 2019</b>	8,322,544	20,996,558	4,899,000	11,641,816	(11,764,902)	20,873,472
Stock-based compensation	-	115,343	-	-	-	115,343
Preferred stock dividend, in common stock, issued or to be issued	95,249	208,205	-	-	(208,205)	-
Net loss	-	-	-	-	(233,106)	(233,106)
<b>Balance at June 30, 2019</b>	8,417,793	21,320,106	4,899,000	11,641,816	(12,206,213)	20,755,709
Stock-based compensation	135,244	129,793	-	-	-	129,793
Preferred stock dividend, in common stock, issued or to be issued	126,194	166,904	-	-	(166,904)	-
Net income	-	-	-	-	98,838	98,838
<b>Balance at September 30, 2019</b>	8,679,231	21,616,803	4,899,000	11,641,816	(12,274,279)	20,984,340
Stock-based compensation	5,446	58,238	-	-	-	58,238
Preferred stock converted to common stock	760,000	1,791,320	(760,000)	(1,791,320)	-	-
Preferred stock dividend, in common stock, issued or to be issued	165,251	202,249	-	-	(202,249)	-
Net loss	-	-	-	-	(137,663)	(137,663)
<b>Balance at December 31, 2019</b>	9,609,928	23,668,610	4,139,000	9,850,496	(12,614,191)	20,904,915
Stock-based compensation	96,195	45,343	-	-	-	45,343
Preferred stock converted to common stock	458,000	1,079,698	(458,000)	(1,079,698)	-	-
Preferred stock dividend, in common stock, issued or to be issued	243,652	168,356	-	-	(168,356)	-
Net loss	-	-	-	-	(1,091,202)	(1,091,202)
<b>Balance at March 31, 2020</b>	<u>10,407,775</u>	<u>\$ 24,962,007</u>	<u>3,681,000</u>	<u>\$ 8,770,798</u>	<u>\$(13,873,749)</u>	<u>\$ 19,859,056</u>

See accompanying notes to condensed consolidated financial statements.

**DYNATRONICS CORPORATION**  
**Condensed Consolidated Statements of Cash Flows**  
(Unaudited)

	Nine Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (1,130,027)	\$ (688,616)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	763,197	650,289
Amortization of intangible assets	543,287	543,292
Amortization of other assets	27,007	32,219
Loss on sale of property and equipment	18,878	2,177
Stock-based compensation expense	233,374	185,306
Change in allowance for doubtful accounts receivable	13,962	(280,800)
Change in allowance for inventory obsolescence	(22,694)	(58,268)
Amortization deferred gain on sale/leaseback	(112,835)	(112,836)
Deferred income taxes	-	236,829
Change in fair value of earn-out liability	-	(375,000)
Change in operating assets and liabilities:		
Trade accounts receivable and other receivables	848,565	1,285,182
Inventories	227,328	(411,918)
Prepaid expenses	(132,078)	72,070
Other assets	(117,481)	(15,692)
Income tax receivable	(9,400)	35,518
Accounts payable and accrued expenses	1,397,879	452,212
Net cash provided by operating activities	<u>2,548,962</u>	<u>1,551,964</u>
Cash flows from investing activities:		
Purchase of property and equipment	(249,617)	(124,804)
Net cash used in investing activities	<u>(249,617)</u>	<u>(124,804)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(132,354)	(122,035)
Principal payments on finance lease liability	(221,348)	(181,609)
Payment of acquisition earn-out liability and holdbacks	(500,000)	(912,845)
Net change in line of credit	(172,080)	(1,492,532)
Net cash used in financing activities	<u>(1,025,782)</u>	<u>(2,709,021)</u>
Net change in cash and cash equivalents and restricted cash	1,273,563	(1,281,861)
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	<u>\$ 1,529,593</u>	<u>\$ 414,255</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 362,595	\$ 392,039
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	537,509	586,145
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	3,749,809	-

See accompanying notes to condensed consolidated financial statements.

**DYNATRONICS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**  
**March 31, 2020**

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

**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.

*Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements (the "Condensed Consolidated Financial Statements") have been prepared by the Company in accordance with generally accepted accounting principles in the United States ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC. As such, these Condensed Consolidated Financial Statements should be read in conjunction with the Company's audited financial statements and accompanying notes included in its Annual Report on Form 10-K for the fiscal year ended June 30, 2019 (the "Annual Report") filed with the SEC on September 25, 2019. The Condensed Consolidated Balance Sheet at June 30, 2019, has been derived from the Annual Report.

The accounting policies followed by the Company are set forth in Part II, Item 8, Note 1, Basis of Presentation and Summary of Accounting Policies, of the Notes to Financial Statements included in the Company's Annual Report. In the opinion of management, the Condensed Consolidated Financial Statements contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company's financial position as of March 31, 2020 and its results of operations and its cash flows for the periods presented. The results of operations for the first nine months of the fiscal year are not necessarily indicative of results for the full year or any future periods.

The Company's fiscal year begins on July 1 and ends on June 30 and references made to "fiscal year 2020" and "fiscal year 2019" refer to the Company's fiscal year ending June 30, 2020 and the fiscal year ended June 30, 2019, respectively.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented.

The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, and adjusts those estimates and assumptions when facts and circumstances dictate. Actual results could differ materially from those estimates and assumptions.

*Reclassification*

Certain amounts in the prior year's Financial Statements have been reclassified for comparative purposes to conform to the presentation in the current year's Financial Statements.

*Risks and Uncertainties*

The pandemic caused by an outbreak of the Novel Coronavirus Disease 2019 ("COVID-19") has resulted, and is likely to continue to result, in significant national and global economic disruption and has adversely affected and may continue to adversely affect the Company's business. However, the Company is actively monitoring this situation and the possible effects on its financial condition, liquidity, operations, suppliers, industry, and workforce. Certain federal, state and local governmental authorities have issued stay-at-home orders, proclamations and/or directives aimed at minimizing the spread of COVID-19. Additional, more restrictive proclamations and/or directives may be issued in the future.

The ultimate impact of the COVID-19 pandemic on the Company's operations is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments, or the Company, may direct, which may result in an extended period of continued business disruption, reduced customer orders, and reduced operations.

*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 right-of-use ("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 \$3,749,809 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.



## Note 2. Acquisitions

The earn-out liability was \$0 as of March 31, 2020. Payments during the quarters ended December 31, 2019 and September 30, 2019 totaled \$375,000 and \$125,000, respectively.

## Note 3. 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 stock outstanding during the period. Stock options, convertible preferred stock and warrants are considered to be potential common stock. 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 income for the period available to each weighted-average share of common stock outstanding during the reporting period. Diluted net loss per common share is the amount of net loss for the period available to each weighted-average share of common stock outstanding during the reporting period and to each share of potential common stock outstanding during the period, unless inclusion of potential common stock would have an anti-dilutive effect.

All outstanding options, warrants and convertible preferred stock for common shares are not included in the computation of diluted net loss per common share because they are anti-dilutive, which for the three months ended March 31, 2020, and 2019, totaled 10,946,022 and 11,744,083, respectively, and for the nine months ended March 31, 2020, and 2019, totaled 11,452,544 and 11,744,083, respectively.

## Note 4. Convertible Preferred Stock and Common Stock Warrants

As of March 31, 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. As of March 31, 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 quarter ended December 31, 2019, the Company issued 760,000 shares of common stock upon conversion of 760,000 shares of Series C Preferred. During the quarter ended March 31, 2020, the Company issued 450,000 and 8,000 shares of common stock upon conversion of 450,000 and 8,000 shares of Series C Preferred and Series A Preferred, respectively.

In April 2020, the Company paid approximately \$202,000 of preferred stock dividends with respect to the Series A Preferred and Series B Preferred that accrued during the three months ended March 31, 2020, by issuing 195,490 shares of common stock.

## Note 5. Common Stock

As of March 31, 2020, the Company had issued and outstanding a total of 10,407,775 shares of common stock.

On March 12, 2020, the Company entered into an Equity Distribution Agreement with Canaccord Genuity LLC and Roth Capital Partners, LLC relating to the offer and sale of shares of its common stock in an at-the-market offering ("ATM"). In accordance with the terms of the equity distribution agreement, the Company may offer and sell common stock having an aggregate offering price of up to \$10,000,000 from time to time through Canaccord Genuity LLC and Roth Capital Partners, LLC, acting as the Company's sales agents. The shares of common stock will be distributed at the market prices prevailing on The Nasdaq Capital Market at the time of the sale of such shares. Canaccord Genuity LLC and Roth Capital Partners, LLC will be entitled to compensation at a fixed commission rate equal to 3.0% of the gross sale price per share of common stock sold. No shares were sold in the ATM during the three months ended March 31, 2020.

In April 2020, the Company sold 3,200,585 shares of common stock, no par value per share, in the ATM offering. The Company incurred offering costs totaling \$238,169, inclusive of commission fees at a fixed rate of 3.0%, legal, accounting, and filing fees. Net proceeds from the shares sold totaled \$2,286,939. The proceeds will be used to strengthen the Company's working capital position.

## Note 6. Comprehensive Income

For the three and nine months ended March 31, 2020 and 2019, comprehensive loss was equal to the net loss as presented in the accompanying Condensed Consolidated Statements of Operations.

## Note 7. Inventories

Inventories consisted of the following:

	March 31, 2020	June 30, 2019
Raw materials	\$ 5,765,534	\$ 5,830,140
Work in process	553,470	706,128
Finished goods	5,160,985	5,129,806
Inventory obsolescence reserve	(157,102)	(138,553)
	<u>\$ 11,322,887</u>	<u>\$11,527,521</u>

**Note 8. 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 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.

Leases recorded on the balance sheet consist of the following:

	<b>Classification on the Balance Sheet</b>	<b>March 31, 2020</b>
<b>Lease Assets</b>		
Operating lease assets	Operating lease assets, net	\$ 3,045,883
Finance lease assets	Property and equipment, net	\$ 2,630,542
<b>Lease Liabilities</b>		
Current		
Operating	Current portion of operating lease liability	\$ 902,476
Finance	Current portion of finance lease liability	\$ 311,073
Noncurrent		
Operating	Operating lease liability, net of current portion	\$ 2,143,407
Finance	Finance lease liability, net of current portion	\$ 2,679,110

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

	<b>March 31, 2020</b>
<b>Weighted Average Remaining Lease Term</b>	
Operating leases	3.3 years
Finance leases	8.8 years
<b>Weighted Average Discount Rate</b>	
Operating leases	4.6%
Finance leases	5.7%

The components of lease expense are as follows:

		<b>Three Months Ended March 31, 2020</b>	<b>Nine Months Ended March 31, 2020</b>
	<b>Classification on the Statement of Operations</b>		
<b>Operating lease cost</b>			
Operating lease cost	Cost of sales	\$ 70,515	\$ 211,545
Operating lease cost	Selling, general, and administrative expenses	188,256	564,188
Short term lease cost	Selling, general, and administrative expenses	15,750	47,250
<b>Finance lease cost</b>			
Amortization of finance lease assets	Cost of sales	\$ 35,670	\$ 107,010
Amortization of finance lease assets	Selling, general, and administrative expenses	54,968	152,923
Interest on finance lease liabilities	Interest expense, net	43,477	133,566
<b>Total lease cost</b>		<b><u>\$ 408,636</u></b>	<b><u>\$ 1,216,482</u></b>

Supplemental cash flow information related to leases is as follows:

	<b>Three Months Ended March 31, 2020</b>	<b>Nine Months Ended March 31, 2020</b>
ROU assets obtained in exchange for lease liabilities:		
Operating leases	-	3,749,809
Financing leases	9,423	12,509

Future minimum lease payments are summarized as follows:

	<b>Operating Leases</b>	<b>Finance Leases</b>
<b>Year ending June 30,</b>		
2020 (excluding the nine months ended March 31, 2020)	\$ 257,916	\$ 114,028
2021	959,721	465,624
2022	150,000	472,874
2023	-	445,280
2024	-	384,754
Thereafter	-	2,113,348
<b>Total future minimum lease payments</b>	<b><u>\$ 1,367,637</u></b>	<b><u>\$ 3,995,908</u></b>
Imputed interest		815,566
Deferred rent		190,160

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 \$261,666 and \$261,792 for the three months ended March 31, 2020 and 2019, respectively, and \$784,999 and \$785,353 for the nine months ended March 31, 2020 and 2019, respectively.

## Note 9. 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 3% as of March 31, 2020). The Line of Credit is subject to an unused line fee of .25%.

Borrowings on the Line of Credit were \$ 6,368,559 and \$ 6,540,639 as of March 31, 2020 and June 30, 2019, respectively. As of March 31, 2020, there was approximately \$1,000,000 available to borrow.

## Note 10. Long-term Debt

As of March 31, 2020 and June 30, 2019 long-term debt was \$170,995 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.

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 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, 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 expects to apply for forgiveness of up to all amounts due under the Note, in an amount equal to the sum of qualified expenses under the PPP incurred during the eight 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, April 29, 2022, two years from the date of initial disbursement under the Note and is payable in 18 equal monthly payments of principal and interest beginning six months from the date of initial disbursement. 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 the Company. The Company's obligations under the Note are not secured by any collateral or personal guarantees.

## Note 11. Accrued Payroll and Benefits Expense

As of March 31, 2020 and June 30, 2019, the accrued payroll and benefits expense balance included \$294,662 and \$310,903, respectively, of accrued severance expense. The Company recognized \$311,701 and \$54,778 in severance expense during the three months ended March 31, 2020 and 2019, respectively, and \$464,787 and \$185,831 in severance expense during the nine months ended March 31, 2020 and 2019, respectively. The severance expense was incurred in connection with reductions of the Company's workforce to better align its resources with the needs of the business and cost-reduction initiatives. Severance expense is included in selling, general, and administrative expenses.

## Note 12. Revenue

As of March 31, 2020 and June 30, 2019, the rebate liability was \$289,841 and \$287,430, respectively. The rebate liability is included in accrued expenses in the accompanying Condensed Consolidated Balance Sheets.

As of March 31, 2020 and June 30, 2019, the allowance for sales discounts was \$14,500. The allowance for sales discounts is included in trade accounts receivable, less allowance for doubtful accounts in the accompanying Condensed Consolidated Balance Sheets.

The following table disaggregates revenue by major product category for the three and nine months ended March 31:

	Three Months Ended March 31		Nine Months Ended March 31	
	2020	2019	2020	2019
Orthopedic Soft Bracing Products	\$ 5,303,246	\$ 5,510,461	\$ 17,416,245	\$ 17,182,340
Physical Therapy and Rehabilitation Products	8,342,162	8,973,207	27,662,899	29,576,820
Other	60,911	67,851	213,716	298,160
	<u>\$ 13,706,319</u>	<u>\$ 14,551,519</u>	<u>\$ 45,292,860</u>	<u>\$ 47,057,320</u>

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report, including the disclosures contained in Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operation, 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.

We have based our forward-looking statements on management's current expectations and assumptions about future events and trends affecting our business and industry that are subject to risks and uncertainties. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Forward-looking statements are subject to substantial risks and uncertainties that could cause our future business, financial condition, results of operations or performance to differ materially from our historical results or those expressed or implied in 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, as well as those factors described in the section "Risk Factors" included in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2019, filed with the SEC, as well as in our other public filings with the SEC. Actual results may differ as a result of additional risks and uncertainties of which we are currently unaware or which we do not currently view as material to our business.

You should read this report in its entirety, together with the documents that we file as exhibits to this report and the documents that we incorporate by reference into this report, with the understanding that our future results may be materially different from what we currently expect. The forward-looking statements contained in this report are made as of the date of this report and we assume no obligation to update them after the date hereof to revise or conform such statements to actual results or to changes in our opinions or expectations. If we do update or correct any forward-looking statements, investors should not conclude that we will make additional updates or corrections.

We qualify all of our forward-looking statements by these cautionary statements.

The terms "we," "us," "Dynatronics," or the "Company" refer collectively to Dynatronics Corporation and its wholly-owned subsidiaries, unless otherwise stated.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of our Unaudited Condensed Consolidated Financial Statements and Notes thereto that are contained in this quarterly report, with a narrative from the perspective of management. You should also consider this information with the information included in our Annual Report on Form 10-K for the year ended June 30, 2019, and our other filings with the SEC, including our quarterly and current reports that we have filed since June 30, 2019 through the date of this report. In the following MD&A, we have rounded many numbers to the nearest one thousand dollars. These numbers should be read as approximate. All inter-company transactions have been eliminated. Our fiscal year ends on June 30. For example, reference to fiscal year 2020 refers to the year ending June 30, 2020. This report covers the three and nine months ended March 31, 2020. Results of operations for the three and nine months ended March 31, 2020 are not necessarily indicative of the results that may be achieved for the full fiscal year ending June 30, 2020.

#### Overview

Dynatronics 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.

#### Impact of COVID-19 on Our Business

The pandemic caused by an outbreak of COVID-19 has resulted, and is likely to continue to result, in significant national and global economic disruption. Various policies and initiatives have been implemented around the world to reduce the spread of COVID-19, including work-from-home requirements or requests, shelter-in-place requirements, social distancing requirements, travel restrictions or bans in and to certain countries, bans or limitations on medical procedures and elective surgeries, closure of retail centers, restaurants and other business establishments, and the cancellation of major sporting and entertainment events. The response to and economic impact of COVID-19 adversely affected our business during the quarter ended March 31, 2020 and may continue to have an adverse effect in the fourth quarter ending June 30, 2020 and into the first half of fiscal year 2021.

Uncertainty exists concerning the magnitude of the impact and duration of the COVID-19 pandemic. We are uncertain as to the effect the pandemic ultimately will have on our financial condition, liquidity, and results of operations. Management is actively monitoring this situation and the possible effects on our financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the response to curb its spread, we are not able to estimate the effects of the COVID-19 outbreak to our results of operations, financial condition, or liquidity. Due to the COVID-19 pandemic we have been unable to: (i) conduct face-to-face meetings with customers and prospective customers, (ii) present in-person demonstrations of our products, (iii) attend trade shows and conferences which typically generate future sales opportunities, (iv) operate our manufacturing facilities at full capacity, or (v) meet with prospective strategic partners. The temporary suspension of elective medical procedures and other restrictions related to stay-at-home orders reduced demand for our products. We believe that these and other effects caused by the COVID-19 pandemic will likely have an adverse impact on our revenue over the next several quarters.

## Results of Operations

### Net Sales

Net sales decreased \$845,000, or 5.8%, to \$13,706,000 for the quarter ended March 31, 2020, compared to net sales of \$14,552,000 for the quarter ended March 31, 2019. The year-over-year decrease in net sales was driven by a reduction in sales of physical therapy and rehabilitation products as well as a decline due to COVID-19 stay-at-home restrictions and holds on elective procedures.

Net sales decreased \$1,764,000, or 3.7%, to \$45,293,000 for the nine months ended March 31, 2020, compared to net sales of \$47,057,000 for the nine months ended March 31, 2019. The year-over-year decrease in net sales was driven by a reduction in sales of physical therapy and rehabilitation products as well as a decline due to COVID-19 stay-at-home restrictions and holds on elective procedures.

### Gross Profit

Gross profit for the quarter ended March 31, 2020 decreased \$461,000, or 10.5%, to \$3,944,000, or 28.8% of net sales. By comparison, gross profit for the quarter ended March 31, 2019 was \$4,405,000, or 30.3% of net sales. The year-over-year decrease in gross profit was attributable to lower sales of physical therapy and rehabilitation products, which accounted for approximately \$256,000 in lower gross profit, and to reduced gross margin percent which accounted for approximately \$205,000 in lower gross profit. The year-over-year decrease in gross margin percentage to 28.8% from 30.3% was due primarily to lower sales of our physical therapy and rehabilitation equipment.

Gross profit for the nine months ended March 31, 2020 decreased \$948,000, or 6.5%, to \$13,684,000, or 30.2% of net sales. By comparison, gross profit for the nine months ended March 31, 2019 was \$14,632,000, or 31.1% of net sales. The year-over-year decrease in gross profit was attributable to lower sales of physical therapy and rehabilitation products, which accounted for approximately \$549,000 in lower gross profit, and to reduced gross margin percent which accounted for approximately \$399,000 in lower gross profit. The year-over-year decrease in gross margin percentage to 30.2% from 31.1% was due primarily to lower sales of our physical therapy and rehabilitation equipment.

### Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses increased \$89,000, or 1.9%, to \$4,907,000 for the quarter ended March 31, 2020, compared to \$4,818,000 for the quarter ended March 31, 2019. The increase in SG&A is primarily related to a \$257,000 increase in severance expense related to consolidation of management and certain operations, and cost-reduction initiatives in response to COVID-19. This increase was partially offset by a \$219,000 reduction in selling expense due primarily to lower commission expense on lower sales and decreased sales management salaries during the quarter.

SG&A expenses decreased \$637,000, or 4.2%, to \$14,450,000 for the nine months ended March 31, 2020, compared to \$15,087,000 for the nine months ended March 31, 2019. The decrease in SG&A is primarily related to a \$718,000 decrease in selling expense due to lower commission expense on lower sales and decreased sales management salaries during the nine month period. General and administrative ("G&A") expenses increased \$81,000 primarily related to a \$279,000 increase in severance expense due to consolidation of management and certain operations, and cost-reduction initiatives in response to COVID-19. This increase in G&A was partially offset by other G&A decreases primarily related to reductions in salaries and wages.

### Net Loss Before Income Tax

Pre-tax loss for the quarter ended March 31, 2020 was \$1,091,000 compared to \$531,000 for the quarter ended March 31, 2019. The \$560,000 increase in pre-tax loss was primarily attributable to the impact of \$461,000 decrease in gross profit and \$89,000 increase in SG&A expenses.

Pre-tax loss for the nine months ended March 31, 2020 was \$1,130,000 compared to \$452,000 for the nine months ended March 31, 2019. The \$678,000 increase in pre-tax loss was attributable to the impact of (1) \$368,000 decrease in other income primarily due to a \$375,000 change in the fair value of the earn-out liability related to the Bird and Cronin acquisition during the nine months ended March 31, 2019, and (2) \$948,000 decrease in gross profit partially offset by a \$637,000 decrease in SG&A expenses.

### Income Tax (Provision) Benefit

Income tax provision was \$0 for the three and nine months ended March 31, 2020, respectively, compared to \$33,000 and \$237,000 for the three and nine months ended March 31, 2019, respectively. See *Liquidity and Capital Resources - Deferred Income Tax Assets* below for more information.

### Net Loss

Net loss was \$1,091,000 for the quarter ended March 31, 2020, compared to \$563,000 for the quarter ended March 31, 2019. Net loss was \$1,130,000 for the nine months ended March 31, 2020, compared to \$689,000 for the nine months ended March 31, 2019. The reasons for the increase in net loss are the same as explained above under the heading *Net Loss Before Income Tax* and *Income Tax (Provision) Benefit*.

### Net Loss Attributable to Common Stockholders

Net loss attributable to common stockholders increased \$565,000 to \$1,325,000 for the quarter ended March 31, 2020, compared to \$760,000 for the quarter ended March 31, 2019. The increase in net loss attributable to common stockholders for the quarter is due primarily to a \$528,000 increase in net loss and a \$65,000 increase in deemed dividend on convertible preferred stock and accretion of discount as a result of the conversion of preferred stock. On a per share basis, net loss attributable to common stockholders was \$(0.13) per share for the quarter ended March 31, 2020, compared to \$ (0.09) per share for the quarter ended March 31, 2019.

Net loss attributable to common stockholders increased \$566,000 to \$1,841,000 for the nine months ended March 31, 2020, compared to \$1,275,000 for the nine months ended March 31, 2019. The increase in net loss attributable to common stockholders is due primarily to a \$441,000 increase in net loss and a \$174,000 increase in deemed dividend on convertible preferred stock and accretion of discount as a result of the conversion of preferred stock. On a per share basis, net loss attributable to common stockholders was \$(0.20) per share and \$(0.16) per share for the nine months ended March 31, 2020 and 2019, respectively.

## 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. While we had positive cash flows from operating activities for the nine months ended March 31, 2020, during the quarter ended March 31, 2020, we had negative cash flows from operating activities.

Working capital was \$4,369,000 as of March 31, 2020, compared to working capital of \$5,638,000 as of June 30, 2019. The current ratio was 1.3 to 1 as of March 31, 2020 and 1.4 to 1 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.

Subsequent to the end of the quarter, during 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 \$238,169, 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 and we will use the proceeds 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 up to all amounts due under the Note, in an amount equal to the sum of qualified expenses under the PPP incurred during the eight 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 18 equal monthly payments of principal and interest beginning six months from the date of initial disbursement. 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*

Our cash and cash equivalents and restricted cash position increased \$1,274,000 to \$1,530,000 as of March 31, 2020, compared to \$256,000 as of June 30, 2019. The primary source of cash in the nine months ended March 31, 2020, was approximately \$2,549,000 of net cash provided by operating activities.

### *Accounts Receivable*

Trade accounts receivable, net of allowance for doubtful accounts, decreased approximately \$ 860,000, or 11.5%, to \$6,635,000 as of March 31, 2020, from \$7,495,000 as of June 30, 2019. The decrease was driven primarily by a decrease in sales and the time to collect receivables. Trade accounts receivable represents amounts due from our customers including dealers and distributors that purchase our products for redistribution, 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 \$205,000 or 1.8%, to \$11,323,000 as of March 31, 2020, compared to \$11,528,000 as of June 30, 2019. Inventory levels fluctuate based on timing of large inventory purchases from domestic and overseas suppliers as well as variations in sales and production activities. We believe that our allowance for inventory obsolescence is adequate based on our analysis of inventory, sales trends, and historical experience.

### *Accounts Payable*

Accounts payable increased approximately \$1,550,000 or 38.9%, to \$5,540,000 as of March 31, 2020, from \$ 3,990,000 as of June 30, 2019. The increase was driven primarily by improved payment terms with our primary suppliers and changes in the average time to pay suppliers which we increased to manage working capital in response to COVID-19.

### *Line of Credit*

Our line of credit balance decreased \$172,000 to \$6,369,000 as of March 31, 2020, compared to \$6,541,000 as of June 30, 2019. The decrease was driven primarily by positive cash flows from operating activities used to pay down the line of credit. As of March 31, 2020, there was approximately \$ 1,000,000 available to borrow.

### *Debt*

Long-term debt decreased approximately \$132,000 to approximately \$171,000 as of March 31, 2020, compared to approximately \$303,000 as of June 30, 2019. Our long-term debt is primarily comprised of the 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 mortgage loan is approximately \$129,000, with monthly principal and interest payments of \$13,000.

### *Finance Lease Liability*

Finance lease liability as of March 31, 2020 and June 30, 2019 totaled approximately \$2,990,000 and \$3,199,000, respectively. Our finance lease liability consists primarily of our Utah 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 \$1,428,000 at March 31, 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 March 31, 2020 is \$1,417,000. 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 three and nine months ended March 31, 2020 was approximately \$40,000 and \$118,000, respectively. In addition to the Utah building, we have certain equipment leases that we have determined are finance leases.

### *Operating Lease Liability*

Operating lease liability as of March 31, 2020 and June 30, 2019 totaled approximately \$3,045,000 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 Earn-Out Liability*

Acquisition earn-out liability decreased \$500,000 or 100.0%, to \$0 as of March 31, 2020, from \$500,000 as of June 30, 2019. The decrease is due to payment in full of the obligations during the nine months ended March 31, 2020.

### *Deferred Income Tax Assets*

A valuation allowance is required when there is significant uncertainty as to the realizability of deferred income tax assets. The ability to realize deferred income 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 determined that we do not meet the "more likely than not" threshold that deferred income tax assets will be realized. Accordingly, a valuation allowance is required. Any reversal of the valuation allowance in future periods will favorably impact our results of operations in the period of reversal. As of March 31, 2020 and June 30, 2019, we recorded a full valuation allowance against our net deferred income tax assets. This resulted in no reported income tax expense associated with the operating profit reported during the three and nine months ended March 31, 2020. As a result of a temporary book to tax difference associated with the amortization of goodwill for tax purposes, income tax expense was \$33,000 and \$237,000 for the three and nine months ended March 31, 2019, respectively.

### *Stock Repurchase Plans*

We have a stock repurchase plan available to us at the discretion of the Board of Directors. Approximately \$449,000 remained of this authorization as of March 31, 2020. No purchases have been made under this plan since September 2011.

### **Off-Balance Sheet Arrangements**

As of March 31, 2020, we had no off-balance sheet arrangements.

### **Critical Accounting Policies**

The preparation of our financial statements requires that we make estimates and judgments. We base these on historical experience and on other assumptions that we believe to be reasonable. Our critical accounting policies are discussed in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our Annual Report for the year ended June 30, 2019. There have been no material changes to the critical accounting policies previously disclosed in that report.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

There have been no material changes from the information presented for the year ended June 30, 2019.



## Item 4. 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 under the Exchange Act is recorded, processed, summarized, and reported within the time periods that are specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial 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.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) as of March 31, 2020. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2020.

### Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

None.

### Item 1A. Risk Factors

Our business, results of operations, and financial condition are subject to various risks. We have described and discussed these risks elsewhere in this Quarterly Report on Form 10-Q and in our other filings with the SEC, including our Annual Report. The following additional risk factors relating to the Novel Coronavirus 2019 ("COVID-19") pandemic should be read in conjunction with the risk factors previously disclosed in our Annual Report and in our other filings made with the SEC as well as the information contained in this Quarterly Report on Form 10-Q.

***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 the 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, has 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. 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 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 the 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.

***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 April 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.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

(a) Exhibits

Exhibits marked with an asterisk (\*) are filed herewith.

10.1	<a href="#">Sixth Modification Agreement, dated January 22, 2020 ( Exhibit 10.1 to Current Report on Form 8-K filed January 8, 2020).</a>
10.2	<a href="#">Paycheck Protection Program Note, dated April 29, 2020, executed by Dynatronics Corporation as Borrower and Bank of the West*</a>
10.3	<a href="#">Master Supply Agreement between Dynatronics Corporation and Ascentron, Inc., effective March 1, 2020*</a>
10.4	<a href="#">Letter Agreement between Dynatronics Corporation and John A. Krier (Chief Financial Officer) dated effective March 23, 2020*</a>
10.5	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)
31.1	<a href="#">Certification under Rule 13a-14(a)/15d-14(a) of principal executive officer*</a>
31.2	<a href="#">Certification under Rule 13a-14(a)/15d-14(a) of principal financial officer*</a>
32.1	<a href="#">Certificate pursuant to section 18 U.S.C. Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 of principal executive officer*</a>
32.2	<a href="#">Certificate pursuant to section 18 U.S.C. Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 of principal financial officer*</a>
101.INS	XBRL Instance Document*
101.CAL	XBRL Taxonomy Extension Schema Document*
101.SCH	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

**SIGNATURES**

Pursuant to the requirements 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: May 14, 2020

By: /s/ Brian D. Baker  
Brian D. Baker  
President and Chief Executive Officer (Principal Executive Officer)

Date: May 14, 2020

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

PROMISSORY NOTE  
PAYCHECK PROTECTION PROGRAM  
U.S. SMALL BUSINESS ADMINISTRATION

SBA Loan # 94252172-01  
Date 4/29/2020  
Loan Amount \$3,477,412  
Interest Rate 1.00%  
Operating Company  
SBA Loan Name Dynatronics Corporation  
Borrower Dynatronics Corporation  
Lender Bank of the West

1. PROMISE TO PAY:

In return for the Loan, Borrower promises to pay to the order of Lender the amount of \$3,477,412 \_\_ and no/100Dollars, interest on the unpaid principal balance, and all other amounts required by this Note.

2. DEFINITIONS:

"Amortization Commencement Date" means the date that is the six (6) month anniversary of the date of initial disbursement on this Note.

"Deferral Period" means a period of six (6) months commencing with the date of initial disbursement on this Note and ending on the day immediately preceding the six (6) month anniversary of such date.

"Loan" means the loan evidenced by this Note.

"Loan Documents" means the documents related to this loan signed by Borrower.

"Maturity Date" shall mean the date that is the two year anniversary of the date of initial disbursement on this Note.

"SBA" means the Small Business Administration, an Agency of the United States of America.

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### 3. PAYMENT TERMS:

Borrower must make all payments at the place Lender designates. The payment terms for this Note are:

The interest rate is 1.00% per annum, fixed for the term of the Note.

Principal and interest payments are deferred during the first six (6) months of the term of this Note (the "Deferral Period"). Interest will continue to accrue on the outstanding principal balance during the Deferral Period.

After proceeds of this Note have been expended by Borrower, but not sooner than eight weeks after the date of initial disbursement on this Note, Borrower may submit to Lender a request for forgiveness of the Loan. Borrower must submit all documentation required by Lender to verify number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations, certifying that the documents are true and that Borrower used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments. Lender will notify Borrower within 60 days whether all or part of the requested forgiveness of the Loan has been approved.

If the entire principal balance of this Note and accrued interest is not forgiven before the end of the Deferral Period, then the principal balance together with and all accrued and unpaid interest outstanding on the Amortization Commencement Date shall be paid in eighteen (18) monthly payments, commencing in the month immediately following the Amortization Commencement Date and continuing each month thereafter until the Maturity Date; provided, however, that the last monthly installment shall be on the Maturity Date and shall be in an amount equal to all principal and accrued interest outstanding on the Maturity Date. Monthly payments will be in an amount determined by the Lender to be the amount necessary to fully amortize the principal and interest outstanding on the Amortization Commencement Date over the remaining term of this Note.

Payment must be made on the fifth calendar day in the month it is due.

Lender will apply each installment payment first to pay interest accrued to the day Lender receives payment, then bring principal current, then to pay any late fees, and will apply any remaining balance to reduce principal.

Borrower may prepay this Note at any time without penalty. Borrower must:

- a. Give Lender written notice; and
- b. Pay all accrued interest.

All remaining principal and accrued interest is due and payable two (2) years from the date of initial disbursement.

Late Charge: If a payment on this Note is more than 10 days late, Lender may charge Borrower a late fee of up to 5.00% of the unpaid portion of the regularly scheduled payment.

### 4. DEFAULT:

Borrower is in default under this Note if Borrower does not make a payment when due under this Note, or if Borrower or Operating Company:

- A. Fails to do anything required by this Note and other Loan Documents;
  - B. Defaults on any other loan with Lender;
-

- C. Does not disclose, or anyone acting on their behalf does not disclose, any material fact to Lender or SBA;
- D. Makes, or anyone acting on their behalf makes, a materially false or misleading representation to Lender or SBA;
- E. Defaults on any loan or agreement with another creditor, if Lender believes the default may materially affect Borrower's ability to pay this Note;
- H. Becomes the subject of a proceeding under any bankruptcy or insolvency law;
- I. Has a receiver or liquidator appointed for any part of their business or property;
- J. Makes an assignment for the benefit of creditors;
- K. Has any adverse change in financial condition or business operation that Lender believes may materially affect Borrower's ability to pay this Note;
- L. Reorganizes, merges, consolidates, or otherwise changes ownership or business structure without Lender's prior written consent; or
- M. Becomes the subject of a civil or criminal action that Lender believes may materially affect Borrower's ability to pay this Note.

5. LENDER'S RIGHTS IF THERE IS A DEFAULT:

Without notice or demand and without giving up any of its rights, Lender may:

- A. Require immediate payment of all amounts owing under this Note;
- B. Collect all amounts owing from Borrower; and
- C. File suit and obtain judgment.

6. LENDER'S GENERAL POWERS:

Without notice and without Borrower's consent, Lender may:

- A. Incur expenses to collect amounts due under this Note, enforce the terms of this Note or any other Loan Document. Among other things, the expenses may include payments for reasonable attorney's fees and costs. If Lender incurs such expenses, it may demand immediate repayment from Borrower or add the expenses to the principal balance;
- B. Release anyone obligated to pay this Note;
- C. Take any action necessary to collect amounts owing on this Note.

7. WHEN FEDERAL LAW APPLIES:

When SBA is the holder, this Note will be interpreted and enforced under federal law, including SBA regulations. Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax, or liability. As to this Note, Borrower may not claim or assert against SBA any local or state law to deny any obligation, defeat any claim of SBA, or preempt federal law.

8. SUCCESSORS AND ASSIGNS

Under this Note, Borrower and Operating Company include the successors of each, and Lender includes its successors and assigns.

9. GENERAL PROVISIONS:

- A. All individuals and entities signing this Note are jointly and severally liable.
  - B. Borrower waives all suretyship defenses.
  - C. Borrower must sign all documents necessary at any time to comply with the Loan Documents and to enable Lender to acquire, perfect, or maintain Lender's liens on Collateral.
-

D. Lender may exercise any of its rights separately or together, as many times and in any order it chooses. Lender may delay or forgo enforcing any of its rights without giving up any of them.  
E. Borrower may not use an oral statement of Lender or SBA to contradict or alter the written terms of this Note.  
F. If any part of this Note is unenforceable, all other parts remain in effect.  
G. To the extent allowed by law, Borrower waives all demands and notices in connection with this Note, including presentment, demand, protest, and notice of dishonor. Borrower also waives any defenses based upon any claim that Lender did not obtain any guarantee; did not obtain, perfect, or maintain a lien upon Collateral; impaired Collateral; or did not obtain the fair market value of Collateral at a sale.

10. STATE-SPECIFIC PROVISIONS: If Borrower is located in any of the following states, the clause indicated for such state is incorporated herein:

MISSOURI.

Oral or unexecuted agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable, regardless of the legal theory upon which it is based that is in any way related to the credit agreement. To protect you (Borrowers(s)) and us (Creditor) from misunderstanding or disappointment, any agreements we reach covering such matters are contained in this writing, which is the complete and exclusive statement of the agreement between us, except as we may later agree in writing to modify it.

OREGON.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY LENDER CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY, OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY AN AUTHORIZED REPRESENTATIVE OF LENDER TO BE ENFORCEABLE.

WASHINGTON.

Oral agreements or oral commitments to loan money, extend credit, or to forbear from enforcing repayment of a debt are not enforceable under Washington law

WISCONSIN.

Each Borrower who is married represents that this obligation is incurred in the interest of his or her marriage or family.

11. BORROWER'S NAME(S) AND SIGNATURE(S):

By signing below, each individual or entity becomes obligated under this Note as Borrower.

/s/ John Krier  
Signature of Authorized Representative of Applicant

4/28/2020  
Date

John Krier  
Print Name

Chief Financial Officer  
Title

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DISBURSEMENT AUTHORIZATION  
PAYCHECK PROTECTION PROGRAM  
U.S. SMALL BUSINESS ADMINISTRATION

SBA Loan # 94252172-01  
Date 4/29/2020  
Loan Amount \$3,477,412  
Interest Rate 1.00%  
Operating Company  
SBA Loan Name Dynatronics Corporation  
Borrower Dynatronics Corporation  
Lender Bank of the West

Disbursement Instruction. Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the Loan have been satisfied. Please disburse the loan proceeds in equal amount to the Loan Amount stated in the Promissory Note to the following Bank of the West deposit account # .

/s/ John Krier  
Signature of Authorized Representative of Applicant

4/28/2020  
Date

John Krier  
Print Name

Chief Financial Officer  
Title

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**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.**

**MASTER SUPPLY AGREEMENT**

This Supply Agreement effective as of the 2nd day of March, 2020 (the "Effective Date"), and all schedules incorporated by reference (collectively the "Agreement") is by and between Ascentron Inc. ("Supplier"), an Oregon corporation, with an office at 994 Antelope Rd White City OR 97503 and Dynatronics Corporation ("Dynatronics"), a Utah corporation, with an office at 7030 Park Centre Drive Cottonwood Heights UT 84121. Supplier and Dynatronics are sometimes referred to herein individually as "Party" and together as "Parties".

**WHEREAS**, Supplier manufactures/assembles various electronic products;

**WHEREAS**, Supplier will furnish the necessary personnel, material, equipment and facilities to manufacture/assembly of various products for Dynatronics in accordance with Specifications (as defined below) provided by Dynatronics;

**WHEREAS**, Supplier desires to manufacture the Products (as defined below) and desires to sell certain quantities of Products to Dynatronics pursuant to the terms and conditions set forth in this Agreement; and

**WHEREAS**, Dynatronics desires to purchase from Supplier certain quantities of Products pursuant to the terms and conditions set forth in this Agreement.

**NOW, THEREFORE**, intending to be legally bound hereby, the Parties hereto agree as follows:

**ARTICLE 1  
DEFINITIONS**

- 1.1. "Act" means the Federal Food, Drug and Cosmetic Act, as amended from time to time.
  - 1.2. "Ascentron Quote Letter Terms" are the discrete quotes provided by Ascentron.
  - 1.3. "Confidential Information" means any: (i) information or material in tangible form disclosed hereunder that is marked as "Confidential" at the time it is delivered to the receiving Party; or (ii) information disclosed orally hereunder which is identified as confidential or proprietary when disclosed or is known or should be known to be confidential. The foregoing notwithstanding, information shall be considered Confidential Information if it would be apparent to a reasonable person, familiar with the disclosing Party's business and the industry in which it operates, that such information is of a confidential or proprietary nature the maintenance of which is important to the disclosing Party. To the extent that it can be established by the receiving Party by written proof, "Confidential Information" shall not include information that (i) was already known to the receiving Party, other than under an obligation of confidentiality, at the time of disclosure; (ii) was available to the public or otherwise part of the public domain at the time of its disclosure to the receiving Party; (iii) became available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving Party in breach of this Agreement; (iv) was subsequently lawfully disclosed to the receiving Party by a person other than a Party hereto; or (v) was independently developed by a person having no knowledge of, or access to, the other Party's Confidential Information.
  - 1.4. "Complaint" means any oral, written or electronic communication that alleges deficiencies related to the identity, quality, durability, reliability, safety, effectiveness or performance of a Product or portion thereof that has been manufactured by Supplier or its affiliates after it is released for sale.
  - 1.5. "FDA" means the United States Food and Drug Administration, or any successor thereto.
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**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.**

- 1.6. "Governmental Authority" means any applicable government regulatory authority with jurisdiction over the Products in the United States of America, including, but not limited to the FDA, or in any other jurisdiction in which Products or products containing the Products are sold or proposed to be sold.
- 1.7. "Inventory" means raw materials, packaging and finished goods.
- 1.8. "MDRs" means Medical Device Reports, as defined and required by the FDA.
- 1.9. "Party" means either Supplier or Dynatronics and "Parties" means Supplier and Dynatronics.
- 1.10. "Product(s)" means the products listed on Schedule A, manufactured in accordance with the Specifications and otherwise in compliance with this Agreement, or such other products and their Specifications that may be added from time to time to this Agreement by the written agreement of the Parties.
- 1.11. "Purchase Order(s)" means a document used by Dynatronics to order the Products (in hard copy or electronic form).
- 1.12. "QS Regulations" means the Quality System Regulations promulgated by the FDA, as amended from time to time, governing the manufacture of medical devices.
- 1.13. "Recalled Products" means Product(s) that is recalled for manufacturing defect.
- 1.14. "Specifications" means the bill of materials, schematics, assembly drawings, designs, test specifications, current revision number, approved vendor list and other manufacturing information for each Product as set forth on Schedule B, which is attached hereto, made a part hereof and incorporated herein by reference, as such Schedule may be amended from time to time by the written agreement of the Parties.
- 1.15. "Warranty Period" means the eighteen (18) months after the date of delivery to end-user the Product for any defects.

**ARTICLE 2  
SUPPLY OF PRODUCT**

- 2.1 Supply of Product by Supplier. Supplier agrees to manufacture, sell and supply the Products ordered by Dynatronics pursuant to the terms and conditions of this Agreement. Dynatronics and Supplier agree that mutually agreed upon metrics of performance shall be established in writing and measured and reported at agreed upon intervals. If Dynatronics notifies Supplier that Supplier failed to meet the agreed upon metrics, Supplier shall make best commercial efforts to bring its performance back into the agreed upon range within [\*\*\*] days.
- 2.2 Price. Supplier shall sell, and Dynatronics shall purchase Products manufactured pursuant to this Agreement at the price per each unit of Product as set forth on Schedule C, subject to meeting the purchase requirements set forth herein. Supplier shall not charge Dynatronics for any costs, expenses or fees other than the price per unit of Product without the prior written consent of Dynatronics. The prices set forth on Schedule C may be updated annually; however, if any Product is priced at an amount not agreeable to Dynatronics, Dynatronics may remove the Product from Schedule C. Price increases will be limited to [\*\*\*]. Should pricing increase [\*\*\*] or more, Ascentron shall provide Dynatronics with the details and Dynatronics shall be provided the opportunity to negotiate with raw material suppliers directly or change materials to mitigate the increases.

Additional costs associated with [\*\*\*], are the responsibility of Dynatronics and shall be submitted with documentation for payment. Price increases or minimum buys related to [\*\*\*] will be submitted for consideration. [\*\*\*].

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**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.**

2.3 Blanket Purchase Order and Monthly Forecasting. During the term of this Agreement, Dynatronics shall place a blanket Purchase Order for the Products using a form or method mutually agreed upon by the Parties, which specifies (i) the Product(s) and quantity for each being purchased, (ii) forecast delivery dates, (iii) Specifications (if different than the ones provided as part of this Agreement), and (iv) the location and manner of delivery. Such Purchase Orders shall not be deemed to modify any term of this Agreement or its exhibits, except the Specifications.

Within [\*\*\*], Dynatronics shall use best efforts to prepare and provide Ascentron with (i) a [\*\*\*] forecast as to Dynatronics' estimated requirements of Products for [\*\*\*].

2.4 Orders. Supplier agrees to supply Dynatronics' firm orders for the Products. If Supplier discovers any potential delay that threatens the timely or full delivery of Products with respect to any order, Supplier shall promptly notify Dynatronics of such delay. Supplier shall provide a written plan for correction of such delay. The required notification and any plan for correction shall be considered for informational purposes only and shall not release Supplier from any other obligations under this Agreement.

2.5 Specifications. The Products sold to Dynatronics hereunder shall strictly comply with the Specifications and be compliant with FDA and other laws and regulations governing the manufacture and sale of the Products. Supplier shall not make any changes to the materials used (or vendors of such materials) to manufacture the Products or the processes used to manufacture the Products without the prior written consent of Dynatronics, whose consent can be withheld for any or no reason. Dynatronics may request in writing that Supplier incorporate an engineering change into a Product at any time upon notice to Supplier. Such request shall include a description of the proposed change sufficient to permit Supplier to evaluate it. Supplier's evaluation shall be in writing and shall state the impact of the requested change on delivery schedule and expected cost. Supplier shall not be obligated to proceed with the requested engineering change until the Parties have agreed on the changes to the Product, Specifications, part revision level, delivery schedule and pricing. When engineering changes are agreed to, the Parties shall memorialize the changes in a document, signed by the Parties.

2.6 Certificate: Inspection and Acceptance. Each shipment of Product must be accompanied by final Product testing and inspection results and a certificate signed by the Supplier stating that the Products comply with the Specifications and all other terms and conditions of this Agreement ("Certificate"); the Certificate shall be set forth by Product serial number and must be signed by Supplier.

Dynatronics, upon receipt of Products from Supplier, shall have ninety (90) days to inspect the Products and the Certificate and determine whether or not they comply with the Specifications or to determine if there are any shortages. If Dynatronics determines during its inspection of Products that the Products do not comply with the Specifications or the Certificate is unreliable, Dynatronics shall notify Supplier and provide Supplier with samples of nonconforming Products (to the extent Dynatronics deems possible) along with such notice and provide Supplier with the results of Dynatronics' inspections. If Supplier's inspection confirms Dynatronics' determination or any part thereof, then Supplier, at its expense and at Dynatronics' option, within thirty (30) days following the completion of Supplier's investigation into Dynatronics' determination, either shall bring the Products in question into conformance with the Specifications or shall replace the Products that Dynatronics determined failed to comply with the Specifications, in either case, at no additional charge to Dynatronics.

2.7 Shipping Terms: Shipping Costs: Risk of Loss: Title. All quantities of Products shall be shipped to FOB White City, OR, on the carrier specified by Dynatronics. Upon delivery to Dynatronics' carrier, title to the Products and the risk of damage or loss to the Products shall pass to Dynatronics. Dynatronics shall bear all shipping costs and shall be responsible for any and all insurance coverage for shipment of Products.

2.8 Terms of Payment. Supplier shall invoice Dynatronics not earlier than each shipment of Products. The invoice shall include Supplier's name, address, invoice date, the order number, the total price calculated pursuant to the terms of the Agreement, and the name, if applicable, title, complete mailing address where payment is to be sent and must be submitted to the appropriate invoice address set forth in this Agreement, or in the order. The purchase price, as set forth in Section 2.2, shall be paid in United States dollars, by ACH on 1½% 15 days (wherein payment is received by Supplier within 15 days), net 45 days from the receipt of the invoice.

2.9 Lot Documentation or Serial Number Controls; Registration Documentation. Supplier shall produce such documentation as reasonably requested by Dynatronics to comply with documentation requirements of any Governmental Authority ("Documentation"). Such Documentation shall include, without limitation, Dynatronics preapproval of any engineering change notices, device history records, non-conformance and complaint investigation reports, corrective and preventive action records, certificates of compliance set forth by serial number, and other quality-related records, as requested by Dynatronics.

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**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.**

- 2.10 Conflict with Forms. If there is a conflict between Supplier's invoice or packing slip and this Agreement, the applicable Ascentron Quote Letter Terms attached as Schedule D or Purchase Order and this Agreement, the terms of this Agreement shall govern followed by the applicable Ascentron Quote Letter Terms.
- 2.11 Facilities. Supplier shall provide sufficient space and a sufficiently clean manufacturing environment to support the manufacture of Products.
- 2.12 Quality System. Supplier shall maintain a quality system that is capable of meeting the requirements of US FDA GMP requirements and ISO13485-2016 certification.
- 2.13 Process and Change Control
- 2.13.1 Supplier shall not make any changes to Specifications or component raw materials of Products without the prior written consent of Dynatronics quality assurance manager.
- 2.13.2 Supplier shall fully cooperate with Dynatronics for the manufacture and ongoing supply of Products for Dynatronics. Pricing for any design changes shall be negotiated in good faith by both Parties.
- 2.14 Packaging and Storage. Supplier shall package and ship Products under conditions designed to maintain the Products proper packaging conditions and in a manner to keep it from potential mix-up or damage.
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### ARTICLE 3

#### MATERIALS; AUDITS; REGULATORY REQUIREMENTS

- 3.1 Source of Supply. Supplier shall manufacture the Products only at its facility located at 994 Antelope Rd White City OR 97503 (“ Facility”) and any other Dynatronics-approved facilities in the United States, whose approval may be reasonably withheld for any reason.
- 3.2 Vendor Approvals. Dynatronics shall at all times have the right to approve in writing the vendors and subcontractors used to supply materials and/or services used in the manufacture of the Products and vendors not approved in writing shall not be utilized by Supplier. Upon execution of this Agreement Supplier will provide a list of outsourced operations and the name and location of each outsourced supplier. Although Dynatronics has the right to approve subcontractors, Supplier will be completely and solely responsible for all activities and obligations performed by subcontractors under this Agreement and shall indemnify Dynatronics for the same. Supplier shall be solely responsible for vetting any such subcontractor’s qualifications, including, but not limited to, audits and validations.
- 3.3 Audits and Supplier Responsibilities. Supplier shall permit Dynatronics to perform quality audits and other audits at: (i) the Facility; (ii) any of Supplier’s manufacturing facilities in the United States manufacturing Products pursuant to this Agreement; (iii) at the facilities of proposed and approved vendors of materials for the manufacturing of Products; and, (iv) at the facilities of proposed and approved subcontractors (“Audits”). Such Audits shall be conducted at Dynatronics’ discretion, and Dynatronics shall use best efforts to conduct the Audits during normal business hours and upon reasonable advance notice of the date of such intended Audit. Audits will be conducted to review the processes and controls in place at each location and to ensure compliance with this Agreement, Specifications and applicable law, including, without limitation, the Quality System Regulations promulgated by the FDA, as amended from time to time, and required through ISO 13485 (the “QS Regulations”). Supplier shall use its reasonable efforts to accommodate Dynatronics’ requests to perform such Audits on the date Dynatronics so requests. Supplier and subcontractors, if any, will manufacture the Products in accordance with QS Regulations, including without limitation, a device history record for each Product. Supplier is responsible for conducting and documenting corrective and preventive actions based upon the analysis of quality data available to Supplier and Dynatronics may request copies of such documentation at any time for any reason. Supplier agrees to implement corrective actions in a reasonable period of time, not to exceed [\*\*\*] to all non-conformances identified by Dynatronics, during Audits or otherwise. Supplier shall be responsible for any changes required (i) to maintain or achieve compliance with existing quality systems of product regulations and standards, the Specifications or other requirements under this Agreement; and/or (ii) to correct non-conformances from a Governmental Authority or ISO notified body inspection report.
- 3.4 Product Non-Conformances or Changes. Supplier shall notify Dynatronics of any non-conformance with or deviation from the Specifications or compliance with any laws or any other term and condition of this Agreement that is associated with the components, production, testing or inspection of any Product. In the event that Supplier recommends release of Product to Dynatronics that does not conform to the Specifications or any other term and condition of this Agreement, all such non-conformances and deviations must be agreed to in writing by Dynatronics (at Dynatronics’ discretion). Notwithstanding the foregoing, Dynatronics is not required to agree to such non-conformances or deviations.
- 3.5 Product Complaints. Supplier shall advise Dynatronics, by telephone or facsimile, within [\*\*\*] after it becomes aware of any (i) Complaint, whether written or oral, relating to the Products, (ii) serious injury from the use of, or malfunction of, Products and (iii) any defect in, or condition of, the Products or any other fact or circumstance which may result in a violation or alleged violation of any applicable statutes, laws, rules, regulations, ordinances or decrees of any Governmental Authority, which Supplier subsequently shall confirm in writing, within [\*\*\*]. Supplier further agrees to investigate any Complaint identified by Dynatronics. Supplier shall investigate each Complaint and shall maintain a written record of each such investigation. Supplier shall send Dynatronics copies of each such Complaint and a full report on each such investigation promptly after receiving such Complaint or completing such investigation, as the case may be, but in no event later than [\*\*\*] after the applicable event. Such report shall include all data on Complaints respecting the Products, including lot or serial number, as appropriate, of the Product in question. Supplier shall cooperate with Dynatronics to the extent reasonably necessary to resolve outstanding Complaints and Dynatronics shall have primary responsibility to file all MDRs required to be filed with the FDA or other relevant Governmental Authority.

Dynatronics shall notify Supplier by telephone or facsimile, within [\*\*\*] after it becomes aware of any (i) Complaint, whether written or oral, relating to the Products, (ii) serious injury from the use of, or malfunction of, Products and (iii) any defect in, or condition of, the Products or any other fact or circumstance which may result in a violation or alleged violation of any applicable statutes, laws, rules, regulations, ordinances or decrees of any Governmental Authority, which Dynatronics subsequently shall confirm in writing to Supplier, within [\*\*\*].

- 3.6 Recalls, Corrections and Removals. If Dynatronics believes that any Product should be recalled or withdrawn from distribution or sale, that a field correction should be made, or that an advisory letter should be issued regarding reliability or defects in any such Product (any of which shall be referred to herein as a “Recall Action”), Supplier agrees to cooperate with Dynatronics in taking such action. Dynatronics may initiate a Recall Action without Supplier’s consent. If a Recall Action is required by law or desired by Dynatronics, Supplier shall take all other actions to assist in promptly executing any Recall Action as directed by Dynatronics. This Section shall not in any way impair the obligations of either Party under law, or with respect to the recall of Products required by law or properly mandated by Governmental Authority.

Recall Actions due to the failure of a Product to comply with the Specifications or any other term or condition of this Agreement, shall be at Supplier’s sole cost and expense and limited to transportation costs, labor and replacement material; however, any costs or expense associated with Recall Actions of Product required by law or desired by Dynatronics that are solely the result of the Product Specifications failing to meet laws and/or regulations shall be at sole cost and expense of Dynatronics.

If Dynatronics determines during its inspection of Recalled Products that the Products do not comply with the Specifications, Dynatronics shall notify Supplier and use best efforts to provide Supplier with samples of nonconforming Products (to the extent Dynatronics deems possible) along with such notice and provide Supplier with the results of its inspections. If either Party was notified of the Product issue within the Warranty Period and Supplier’s inspection does not materially dispute Dynatronics’ determination, then Supplier, at its expense and at Dynatronics’ option, within thirty (30) days following the completion of Supplier’s investigation into Dynatronics’ determination, either shall: (i) bring the Products in question into conformance with the Specifications within a time period provided by Dynatronics; or, (ii) shall replace the Products that Dynatronics determined failed to comply with the Specifications with complaint Products; however, , in either case, either options shall be at no additional charge to Dynatronics. Additionally, if Supplier’s inspection does not materially dispute Dynatronics’ determination and the Products are still within the Warranty Period, then Supplier will also be responsible to reimburse Dynatronics for the direct shipping costs of recalling the Product(s) and distributing replacement Products if that option is elected by Dynatronics,

During the term of this Agreement and for a period of [\*\*\*] thereafter, Supplier shall maintain complete and accurate records, including sales and service records for such periods as may be required by applicable law, of all Products and Product components Supplier or subcontractor manufactures for purposes of assisting Dynatronics in determining the extent and nature of any Recall Action under this Section and service records to enable Dynatronics to conduct any Recall Action.

**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.**

- 3.7 Quality Agreement. Dynatronics and Supplier upon terms mutually agreeable to both Parties have executed a Supplier Quality Requirements that expressly addresses quality/regulatory responsibilities of both Parties, a copy of which is set forth in Schedule E to this Agreement. At either Party's request, the Supplier Quality Requirements may be subject to periodic updates, which changes shall require the written consent of both Parties.

ARTICLE 4  
REPRESENTATIONS AND WARRANTIES; DUTIES OF SUPPLIER

- 4.1 Compliance with Specifications and Laws; Product Warranties. Supplier represents and warrants that (i) it will convey good title to all Products delivered to Dynatronics, free from any security interest, liens or other encumbrances (ii) the Products manufactured hereunder shall be manufactured in strict compliance with (A) the Specifications and all other terms and conditions of this Agreement and (B) all applicable laws, rules and regulations, including, without limitation, the QS Regulations. The Products manufactured hereunder shall be free from defects in materials caused by Ascentron and workmanship for a period of eighteen (18) months from the date of delivery of the Products to Dynatronics. Dynatronics shall have all responsibility for the design of the Products and that the Specifications as delivered to Supplier, meet the appropriate laws and regulations of the United States. Upon notification by Dynatronics of any malfunction or defect in the Products or other non-compliance with the Specifications or other terms and conditions of this Agreement, Supplier will provide Dynatronics with instructions on returning the Product under a warranty claim during the Warranty Period. Upon receipt of any Products returned by Dynatronics pursuant to this Section of this Agreement, Supplier shall, at Dynatronics' option and Supplier's sole costs and expense, either correct or replace the nonconforming or defective Product, or refund the purchase price of the Products. The warranties set forth in this Agreement shall extend to all Parties along the supply chain and to the end users of the Products.

4.1.1 Warranty Exclusions: Supplier shall not be responsible to replace Product or reimburse Dynatronics for warranty claims for: (i) any first articles, prototypes, preproduction units, or test units of a Product; (ii) any Products which have been repaired by the end user or a third party, without Supplier's approval; (iii) any Products which have been altered or modified in any way by the end user or a third party; (iv) any Products with defects or failures due to errors in the Specifications or defects in Dynatronics provided tooling or test fixtures, devices, or software;(v) any Products with defects that cannot be detected using Dynatronics specified inspection and testing procedures; (vi) any Products with defects or failures due to use of components or processes, that are compliant with Environmental Laws, including, but not limited to, solder joint failures and other malfunctions caused by lead-free or hybrid soldering processes; or (vii) any Products with defects or failures cause by Dynatronics due to misuse, abnormal use, neglect, impact, exposure to harmful liquids, improper handling in accordance with static sensitive electronic device handling requirements, or extreme environmental conditions outside of the design tolerances for the Product. To the extent they are transferrable, Supplier agrees to transfer all manufacturer and distributor warranties it receives relating to any parts or components incorporated into the Products to Dynatronics.

Each shipment of Product shall be accompanied by the Certificate described in Section 2.6 of this Agreement.

- 4.2 Authority to Enter into this Agreement. Each Party represents to the other Party that it has the power and authority to enter into this Agreement and to perform all of its obligations hereunder. Neither Party is a party to any agreement, order or decree which would prevent it from performing its obligations hereunder.
- 4.3 No Debarment. Supplier certifies that neither it nor any of its employees or contractors has been debarred under Section 306(a) or Section 306(b) of the Act and that no debarred person will in the future be employed to manufacture the Products. Supplier also certifies that no person working in the manufacture of Products has a conviction that could lead to debarment under Section 306(a) or Section 306(b) of the Act. Furthermore, Supplier agrees to notify Dynatronics immediately of any action toward conviction or debarment under Section 306(a) or Section 306(b) of the Act of any person working in the manufacture of the Products.
- 4.4 Supplier Representation and Warranties. Supplier represents and warrants that it shall:
- (a) manufacture, label and package the Products in accordance with the Specifications and the terms of this Agreement;
  - (b) maintain reasonable production levels in order to supply Dynatronics' requirements for Products under this Agreement consistent with the Sections 2.3 and 2.4 above;
  - (c) provide adequate personnel, equipment and resources to enable it to fulfill its obligations under this Agreement, including, without limitation, its obligation to repair Products, as applicable, during the Warranty Period;
  - (d) in the event that any vendors or subcontractors do not timely deliver any critical materials used in the Products, use commercially best efforts to pursue all of its rights and remedies against such vendors and/or subcontractors to identify and secure replacement vendors and/or subcontractors;
  - (e) promptly notify Dynatronics, but not later than [\*\*\*], if Supplier becomes aware of, or receive any notice from any vendor or subcontractor with respect to, any problems with any tool, die, mold or other manufacturing equipment operated by any vendor or subcontractor;
  - (f) notify Dynatronics within [\*\*\*] hours of receipt of contact from the FDA or other Governmental Authority with authority over the Products if such entity contacts Supplier to investigate or inspects Supplier or any of its facilities with respect to Products produced, manufactured, repaired or serviced by Supplier;
  - (g) perform or comply with all of Supplier's obligations under this Agreement and the Supplier Quality Requirements;
  - (h) not, directly or indirectly, sell the Products to anyone other than Dynatronics during the Agreement or thereafter for period of 5 years.
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**ARTICLE 5**  
**CONFIDENTIALITY AND INTELLECTUAL PROPERTY**

- 5.1 Confidential Information. Except as expressly provided herein, the Parties agree that, for the term of this Agreement and thereafter as long as such information remains confidential, the receiving Party shall keep completely confidential and shall not publish or otherwise disclose and shall not use for any purpose except for the purposes contemplated by this Agreement any Confidential Information furnished to it by the disclosing Party hereto.
- 5.2 Permitted Use and Disclosures. Notwithstanding the foregoing, each Party hereto may use or disclose information disclosed to it by the other Party to the extent such use or disclosure is reasonably necessary in complying with applicable law or governmental regulations, provided that if a Party is required to make any such disclosure of another Party's Confidential Information, it will give reasonable advance written notice to the latter Party of such disclosure and, will use reasonable efforts to secure confidential treatment of such information prior to its disclosure (whether through protective orders or otherwise).
- 5.3 Confidential Terms. Except as expressly provided herein, each Party agrees not to disclose any terms of this Agreement to any third party without the consent of the other Party; provided, disclosures may be made as required by securities or other applicable laws, or to affiliates, or to a Party's accountants, attorneys and other professional advisors, provided that such accountants, attorneys and other professional advisors are bound to retain the terms of this Agreement as confidential. Neither Party shall issue a press release or other public announcement concerning this Agreement, the transactions contemplated herein or the relationship between Dynatronics and Supplier without the prior written consent of an authorized representative of the other Party. Each Party agrees that any breach or threatened breach of Sections 5.1 through 5.3 may cause irreparable harm to the non-breaching Party for which monetary damages would be inadequate and that the non-breaching Party may seek to enforce Sections 5.1 through 5.3 by way of an injunction in addition to any other available legal remedies.
- 5.4 Intellectual Property. Dynatronics affirms that it believes to (or its applicable affiliate or third party through whom Dynatronics has acquired rights) hold title to and is the owner of all Specifications (and updates), technology, trade secrets, know-how, proprietary information and other information regarding the Products and all other intellectual property rights in the Products, including manufacturing and processes to the extent such processes are unique to Dynatronics Products (collectively, "Dynatronics' Property"). Dynatronics hereby grants to Supplier a limited, non-transferable, non-exclusive revocable license to use Dynatronics' Property for the purposes of this Agreement only and only during the Term of this Agreement. After the termination or expiration of this Agreement, (i) such license shall expire and Supplier shall have no further rights to use Dynatronics' Property and (ii) Supplier shall return to Dynatronics all written documents and other materials relating to Dynatronics' Property. All intellectual property rights pertaining to inventions, developments or improvements made to the Products in the course of the services and manufacturing of Products by Supplier, including the Specifications and any updates are the property of Dynatronics. Supplier will, upon the written direction from Dynatronics, and without charge, execute any and all papers and documents prepared or submitted by Dynatronics as may be reasonably required to transfer or secure to Dynatronics full title and authority over such rights. Supplier agrees to provide reasonable assistance to Dynatronics in any applications to protect such intellectual property rights.

Unless otherwise called for in the Specifications, this Agreement shall not constitute a license to use Dynatronics' (or any Dynatronics affiliate's) name, trademarks or tradenames for any purpose and upon the termination of this Agreement, the use, if any, by Supplier of any such name, trademarks, or tradenames shall cease.

Supplier will not alter the original labeling or packaging of the Products without the prior written consent of Dynatronics.

Supplier shall promptly and fully notify Dynatronics of any actual, threatened or suspected infringement of Dynatronics' Property or any Dynatronics' intellectual property rights which comes to Supplier's notice, and of any claim by a third party so coming to its notice that the importation or sale of the Products infringes any rights of any other person. Supplier shall at the request and expense of Dynatronics do all such things as may be reasonably required to assist Dynatronics in taking or resisting any proceedings in relation to such infringement or claim.

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**ARTICLE 6  
INDEMNIFICATION AND INSURANCE**

- 6.1 Indemnification of Dynatronics. Supplier shall indemnify and defend Dynatronics and its affiliates, and the directors, officers, members, employees, counsel, agents and representatives of Dynatronics and its affiliates, and the successors and assigns of any of the foregoing (the "Dynatronics Indemnitees"), and hold the Dynatronics Indemnitees harmless from and against any and all claims, demands, actions, liabilities, damages, losses, judgments, costs of expenses (including interest and penalties and reasonable attorneys' fees and professional fees and expenses of litigation) (collectively, "Claims") of third parties arising out of manufacture of the Products by Supplier, in connection with, or resulting from (i) Supplier's breach of this Agreement (including, without limitation, the failure of the Products to comply with the Specifications), (ii) the negligence or willful misconduct of Supplier, (iii) the deliberate use of known defective inventory in the manufacture of any Product or (iv) any claims by employees of Supplier for liabilities arising out of employment by Supplier, including without limitation, wages, benefits, workers' compensation, or violations of law.
- 6.2 Indemnification of Supplier. Dynatronics shall indemnify and defend Supplier and the directors, officers, employees, counsel, agents and representatives of Supplier and the successors and permitted assigns of any of the foregoing (the "Supplier Indemnitees") from and against any and all third party Claims arising out of or in connection with or as a result of the use to which the Products are put by Dynatronics, or those who use products that contain Products or have such Products or products used on them, in connection with treatment, and all liabilities for personal injury, death, property damage, product liability, recall or infringement of intellectual property rights arising out of the design, sale or use of the Product, except to the extent such third party claims are subject to indemnification by Supplier as provided in Section 6.1.
- 6.3 Comparative Negligence. In any case in which claims arise out of, or are caused by, both Supplier's negligence and Dynatronics' negligence, a comparative negligence standard shall apply with respect to the Parties' enumerated obligations under Article 6.
- 6.4 Procedure for Third Party Claims. A Party that intends to claim indemnification under this Agreement (the "Indemnitee") shall promptly notify the other Party (the "Indemnitor") in writing of any Claims in respect of which the Indemnitee or its affiliates, directors, officers, members, employees, counsel, agents or representatives intends to claim such indemnification, and the Indemnitor, at its cost and expense, shall have the right to participate in, and to the extent the Indemnitor so desires, to assume the defense thereof with counsel mutually satisfactory to the Parties; provided, however, that an Indemnitee shall have the right to retain its own counsel, with the fees and expenses to be paid by the Indemnitor, if representation of such Indemnitee by the counsel retained by the Indemnitor would be inappropriate due to actual or potential differing interests between such Indemnitee and the other Party represented by such counsel in such proceeding. The Indemnitor shall control the defense and/or settlement of any such Claims, and this indemnity agreement shall not apply to amounts paid in connection with any Claims if such payments are made without the consent of the Indemnitor, which consent shall not be unreasonably withheld, delayed or conditioned. The failure to deliver written notice to the Indemnitor within a reasonable time after the commencement of any such Claim, if and to the extent prejudicial to its ability to defend such Claim, shall to such extent relieve such Indemnitor of any liability to the Indemnitee under this Article 6. At the Indemnitor's request and expense, the Indemnitee and its employees and agents shall cooperate fully with the Indemnitor and its legal representatives in the investigation of any Claims covered by this indemnification and provide full information with respect thereto.
- 6.5 Insurance. Supplier agrees to maintain in force with a company or companies acceptable to Dynatronics, commercial general liability insurance providing coverage for liability arising from Supplier's activities under this Agreement and product liability insurance with respect to the products sold hereunder, including without limitation, the Products, with minimum annual limits of [\*\*\*] per occurrence and [\*\*\*] in the aggregate during the Term of this Agreement and thereafter for five years after the termination or expiration of this Agreement. This insurance coverage shall satisfy the following requirements: (i) be issued by carriers having a Best's Rating of A or better, and a Best's Financial Size Category of Class VII or better, (ii) be primary, with the policies of Dynatronics being excess and non-contributing, (iii) be endorsed to provide a waiver of subrogation in favor of Dynatronics, (iv) be endorsed to include Dynatronics as an "additional insured", and (v) contain a provision in which the insurance carrier will provide sixty (60) days prior written notice to Dynatronics of cancellation, suspension, non-renewal or substantial modification. Supplier shall furnish Dynatronics with certificates of insurance and, at Dynatronics' request, copies of all insurance policies and renewals thereof to be maintained by Supplier hereunder. All certificates of insurance must be received and acceptable to Dynatronics, no later than the Effective Date of this Agreement, and annually thereafter.
- 6.6 Limitation of Liability. **EXCEPT AS OTHERWISE PROVIDED IN THIS PARAGRAPH, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL OR PUNITIVE DAMAGES OF ANY KIND OR NATURE ARISING OUT OF OR RELATING TO THIS AGREEMENT. THE LIMITATIONS SET FORTH IN THIS SECTION 6.6 DO NOT APPLY TO: (I) DAMAGES OCCASIONED BY THE WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OF A PARTY; (II) CLAIMS THAT ARE THE SUBJECT OF INDEMNIFICATION UNDER THIS AGREEMENT; (III) DAMAGES OCCASIONED BY A PARTY'S BREACH OF ITS OBLIGATIONS WITH RESPECT TO CONFIDENTIAL INFORMATION OR INTELLECTUAL PROPERTY; (IV) DAMAGES OCCASIONED BY SUPPLIER'S ABANDONMENT OF THE WORK; AND (V) SUPPLIER'S FAILURE TO SUPPLY DYNATRONICS' FINAL ORDER (AS DEFINED IN SECTION 7.4).**
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**ARTICLE 7**  
**TERM AND TERMINATION**

- 7.1. Term. This Agreement shall commence on the Effective Date and shall continue for thirty-six consecutive (36) months after the Effective Date, unless earlier terminated in accordance with the provisions of this Agreement (the "Initial Term"). The Parties agree to meet [\*\*\*] prior to termination of the Initial Term to discuss an extension of the Initial Term. Notwithstanding the foregoing, Dynatronics shall have the right, but not the obligation, to extend the Initial Term in its sole discretion for up to two (2) additional two (2) year periods by giving written notice of such extension to the Supplier. Any extension term, together with the Initial Term, shall be referred to as the "Term".
- 7.2. Termination for Cause. Either Party may terminate this Agreement as follows:
- (a) if the other Party has materially breached or defaulted in the performance of any of its obligations hereunder, and such breach or default has continued for [\*\*\*] after written notice thereof was provided to the breaching or defaulting Party specifying the nature of such breach or default. Any termination shall, at the discretion of the non-breaching Party, become effective at the end of such [\*\*\*] period unless the breaching or defaulting Party has cured any such breach or default prior to the expiration of the [\*\*\*] period;
  - (b) immediately if the other Party is unable to obtain or renew any permit, license or other governmental approval necessary to carry on the business contemplated under this Agreement;
  - (c) immediately upon written notice to the other Party in the event that proceedings in bankruptcy or insolvency are instituted by or against the other Party, or a receiver is appointed, or if any substantial part of the assets of the other Party is the object of attachment, sequestration or other type of comparable proceeding, and such proceeding is not vacated or terminated within [\*\*\*] after its commencement of institution.
- 7.3 [\*\*\*]
- 7.4 Final Order. In the event Dynatronics terminates the Agreement for cause, Dynatronics shall have the right, at its discretion, to place a final order of Products prior to or on the effective date of termination (the "Final Order"). The number of units of Products ordered through the Final Order shall not [\*\*\*] of, whichever is greater, either (a) the units forecasted for the next six (6) months in the most recent forecast provided by Dynatronics prior to the notice of termination or (b) the units ordered or delivered in the six (6) months immediately preceding the notice of termination. (Pricing and payment terms must be agreed to in advance by Ascentron (to be prepared in a similar manner to earlier quotes) – if not, Ascentron cannot be forced to accept the final order) All Product must be taken by Dynatronics within 6 months of the first shipment against the final order. For the avoidance of doubt, Supplier acknowledges and agrees that it shall not increase the price of Products for the final order and the pricing in effect on the date of termination shall be the pricing for all final orders. However, notwithstanding the foregoing, if Supplier provides substantiated proof that the overall costs of the Product(s) have increased at least [\*\*\*] then the overall costs associated with the current pricing, then upon review and approval from Dynatronics, Supplier may increase the final order pricing by the agreed upon amount.
- 7.5 Effect of Breach or Termination.
- (a) Accrued Obligation. Termination of this Agreement for any reason shall not release any Party hereto from any liability which, at the time of such termination, has already accrued to the other Party or which is attributable to a period prior to such termination and shall not preclude either Party from pursuing all rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Agreement.
  - (b) Confidential Information. Upon expiration or termination of this Agreement, each Party shall cease to use all Confidential Information of the other Party and promptly return to the other Party all Confidential Information received from the other Party. The Parties may retain one copy of the other Party's Confidential Information but only for the purposes of keeping record of what that Party has used, or had access to, prior to the expiration or termination of the Agreement.
  - (c) Survival. Any provision of this Agreement which contemplates performance or observance subsequent to any termination or expiration of this Agreement (in whole or in part) shall survive any termination or expiration of this Agreement (in whole or in part, as applicable) and continue in full force and effect.
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ARTICLE 8  
MISCELLANEOUS

- 8.1 Governing Law. This Agreement and any dispute arising from the performance or breach thereof shall be governed by and construed and enforced in accordance with the laws of the State of Utah, without reference to conflict of laws principles. The Parties hereby irrevocably consent to the jurisdiction of courts situated in the State of Utah both state and Federal, and hereby waive any and all defenses to such jurisdiction, including but not limited to, forum non conveniens.
- 8.2 Waiver. Neither Party may waive or release any of its rights or interests in this Agreement except in writing signed by both Parties. A delay or omission by either Party hereto to exercise any right or power under this Agreement shall not be construed to be a waiver thereof. The failure of either Party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a subsequent failure to perform any such term or condition.
- 8.3 Assignment. Supplier may not assign this Agreement without the prior written consent of Dynatronics. Dynatronics may assign this Agreement without the prior written consent of Supplier, including without limitation, to an affiliate of Dynatronics. This Agreement shall be binding and inure to the benefit of permitted successors and assigns.
- 8.4 Notices. All notices, requests and other communications hereunder shall be in writing, in English, and shall be delivered (i) personally (which shall include delivery by courier or overnight delivery service), (ii) by facsimile or (iii) by certified or registered mail, postage prepaid, return receipt requested, at the addresses noted below, or such other address as may be specified in writing to the other Party hereto:

Supplier: Ascentron Inc  
994 Antelope Rd  
White City OR 97503  
Attention: David Hollingsworth

Dynatronics: Dynatronics Corp.  
1200 Trapp Road  
Eagan, MN 55121  
Attention: Brian Baker, Dynatronics CEO

With required copy to:  
Dynatronics Corp.  
1200 Trapp Road  
Eagan, MN 55121  
Attention: General Counsel

- 8.5 Force Majeure. Neither Party shall be liable for failure or delay in the performance of its obligations under this Agreement for the time and to the extent such failure or delay is caused by riots, civil commotions, wars, hostilities between nations, embargoes, actions by governmental agencies, acts of God, storms, fires, floods, accidents, sabotage, explosions, or other similar or different contingencies, each and any of which failures or delays shall be beyond the reasonable control of the Party invoking this provision and such failure or delay could not have been prevented by reasonable precautions and cannot reasonably be circumvented by the non-performing Party through the use of alternate sources, workaround plans or other means. The Party invoking this provision shall provide the other Party with full particulars thereof as soon as it becomes aware of the same (including its best estimates of the likely extent and duration of the interference with its activities), and shall use reasonable efforts to overcome the difficulties created thereby and to resume performance of its obligations as soon as practicable. If the performance of any obligation under this Agreement is delayed owing to a force majeure event described in this Section for any continuous period of more than thirty (30) days, the Parties hereto shall consult with respect to an equitable solution, which may include the immediate termination of this Agreement. In addition, at Dynatronics' option in the event of a failure or delay in Supplier's performance: (i) Dynatronics may terminate for cause or modify any affected portion of any order, or terminate for cause any affected portion of this Agreement, and the charges payable hereunder shall be equitably adjusted to reflect such termination; or (ii) Dynatronics may terminate this Agreement without liability to Supplier as of a date specified by Dynatronics in a written notice of termination to Supplier. Supplier shall not have the right to any additional payments from Dynatronics for costs or expenses incurred by Supplier as a result of any force majeure occurrence.
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**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.**

- 8.6 Independent Contractor. Supplier is acting as an independent contractor, and Supplier personnel (including its subcontractors) shall not be considered or represented as employees or agents of Dynatronics. Supplier is not otherwise an agent of Dynatronics and has no authority to represent Dynatronics as to any matters, except as expressly authorized in this Agreement. This Agreement does not grant, and neither Party shall have, any right or authority, express or implied, to incur, create or assume any liability or obligation, enter into any agreement, make any representation or warranty, file any document with any Governmental Authority, or serve or accept any legal process on behalf of the other Party, or to settle any claim by or against the other Party hereto, or to bind or otherwise render the other Party liable in any way, without the express written consent of the other Party. Each Party hereto shall be responsible for the selection, training and supervision of, and the payment of compensation and benefits to, its employees who assist it in the performance of its obligations hereunder and in no event shall either Party have any obligation to, or authority over, such employees of the other Party. Each Party shall be solely responsible for all costs and expenses incurred by it in connection with this Agreement and its performance of its obligations thereunder.
- 8.7 Severability. In the event that any provision of this Agreement conflicts with the law under which this Agreement is to be construed or if any such provision is held invalid by an arbitrator or a court with jurisdiction over the Parties, such provision shall be deemed to be restated to reflect as nearly as possible the original intentions of the Parties in accordance with applicable law. The remainder of this Agreement shall remain in full force and effect.
- 8.8 Entire Agreement. This Agreement, including any attached Exhibits and Schedules, constitutes the entire agreement between the Parties with respect to the subject matter in this Agreement and supersedes all prior agreements, whether written or oral, between the Parties relating to the subject matter hereof.
- 8.9 Cumulative Remedies. Except as otherwise expressly provided herein, all remedies provided for in this Agreement shall be cumulative and in addition to and not in lieu of any other remedies available to either Party at law, in equity or otherwise.
- 8.10 Third Party Beneficiaries. Except for Dynatronics affiliates and except with respect to end-users of the Products, this Agreement shall not be deemed to create any rights in third parties, including suppliers and customers of a Party, or to create any obligations of a Party to any such third parties.
- 8.11 Amendments. No amendment, modification or alteration to this Agreement shall bind either Party unless made in writing and executed by duly authorized representatives of both Parties.
- 8.12 Headings. The headings in this Agreement are for convenience of reference only and shall not affect the meaning or interpretation of the subject matter contained in the section or article to which a particular heading relates.
- 8.13 Counterparts. This Agreement may be executed in counterparts, or facsimile versions, each of which shall be deemed to be an original, and both together shall be deemed to be one and the same instrument.

**IN WITNESS WHEREOF**, the Parties hereto have caused this Agreement to be executed and delivered as of the Effective Date.

Dynatronics Corporation  
By: /s/ Brian D. Baker

Name: Brian Baker

Title: CEO

Date: February 27, 2020

Ascentron Inc  
By: /s/ David Hollingsworth

Name: David Hollingsworth

Title: VP Business Development

Date: February 28, 2020

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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.

**SCHEDULE A**

**PRODUCTS**

<b>Part Number</b>	<b>Description</b>	<b>UOM</b>
D125B	DYNATRON 125 ULTRASOUND	EA
D525T	DYNATRON 525	EA
D625T	DYNATRON 625	EA
D715T	SOLARIS PLUS 705	EA
D716T	SOLARIS PLUS 706	EA
D718T	SOLARIS PLUS 708	EA
D719T	D719T 5 CHANNEL COMBO-STIM-LIGHT-US	EA
D825T	DYNATRON 825	EA
D925T	DYNATRON 925	EA
DCP3	TRI-WAVE LIGHT PROBE	EA
DLP3	TRI-WAVE LIGHT PAD	EA
DTSP1	THERMOSTIM PROBE	EA

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**SCHEDULE B**

**SPECIFICATIONS**

1. The specifications referenced below apply to the items ordered under this Agreement and will be provided to the supplier separately and/or attached to blanket purchase orders issued.

<b>Part Number</b>	<b>Applicable Specifications</b>
D125B	[***]
D525T	[***]
D625T	[***]
D715T	[***]
D716T	[***]
D718T	[***]
D719T	[***]
D825T	[***]
D92T5	[***]
DCP3	[***]
DLP3	[***]
DTSP1	[***]

2. Revision control for components, procedures and or labeling identified in the Device Master Records (DMR) will follow the agreements in section 2.5 and 2.13 of this document and Design Control / Change Control in the Supplier Quality Agreement on form [\*\*\*].
  3. Formal Change Orders will be processed by Dynatronics and the Supplier will be notified of these changes. An agreed upon implementation plan will be executed without undue delay.
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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.

**SCHEDULE C**

**PRICING/FORECAST**

1. The pricing reflected below are applicable to items ordered under this Agreement.

<i>Ascentron Box Build</i>		<i>With PCBAs purchased from Dynatronics</i>	<i>With Ascentron built PCBAs</i>
<b>Part Number</b>	<b>UOM</b>	<b>Unit price</b>	<b>Unit price</b>
D125B	EA	[***]	[***]
D525T	EA	[***]	[***]
D625T	EA	[***]	[***]
D715T	EA	[***]	[***]
D716T	EA	[***]	[***]
D718T	EA	[***]	[***]
D719T	EA	[***]	[***]
D825T	EA	[***]	[***]
D92T5	EA	[***]	[***]
DCP3	EA	[***]	[***]
DLP3	EA	[***]	[***]
DTSP1	EA	[***]	[***]

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**SCHEDULE D**

**ASCENTRON QUOTE LETTER TERMS**

1. Ascentron quotes applicable to this agreement are referenced below.

<b>Part Number</b>	<b>Quote #</b>	<b>Date</b>
D125B	T7673C	February 10, 2020
D525T	T7674C	February 10, 2020
D625T	T7675C	February 10, 2020
D715T	T7676C	February 10, 2020
D716T	T7677C	February 10, 2020
D718T	T7678C	February 10, 2020
D719T	T7679C	February 10, 2020
D825T	T7680C	February 10, 2020
D92T5	T7681C	February 10, 2020
DCP3	T7869A	January 23, 2020
DLP3	T7876	February 26, 2020
DTSP1	T7868	January 6, 2020

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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.

**SCHEDULE E**

**SUPPLIER QUALITY REQUIREMENTS**

1. The terms and requirements specified under Quality Agreement [\*\*\*], issued on 06/02/2019 and fully executed between Dynatronics Corporation and Ascentron, Inc. on 09/06/2019, are applicable to this supply agreement.
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March 16, 2020

Mr. John Krier  
Minneapolis, MN 55419

Re: DYNA Employment Offer – Chief Financial Officer

Dear John:

On behalf of Bird & Cronin LLC and its parent company, Dynatronics Corporation and its affiliate Hausman Enterprises, LLC (collectively "DYNA"), I am pleased to offer you the position of Chief Financial Officer. Your proven qualifications and experience qualify you to receive this offer:

**Position/Title:** The position of Chief Financial Officer for DYNA is classified as an exempt position under the Fair Labor Standards Act. You will not be eligible for overtime pay.

You will report directly to Brian Baker, DYNA's Chief Executive Officer.

**Employer:** Your employer will be Bird & Cronin LLC ("Employer") and you will be eligible for Dynatronics' benefits as described below.

**Pay Rate:** Starting base salary will be \$230,000.00 USD a year, paid bi-weekly (every other Friday) paid via direct deposit by Employer.

**Annual Cash Bonus:** You will be eligible for an annual cash bonus, pro rata, for a maximum payout of \$40,250.00 USD, payable within sixty (60) days at the end of the DYNA's fiscal year. The cash bonus will be based on DYNA's results and the successful completion of individual performance against set goals. The Compensation Committee of the Board of Directors will assess the goals to determine annual payout.

**Annual Equity Award:** You will be eligible for an annual equity award, pro rata, of Restricted Stock Units ("RSUs") up to a maximum value of \$40,250 USD. The RSUs will be priced at the closing market share price of DYNA's common stock on the date of the grant. Fifty percent (50%) of the RSUs will vest on the date of the grant and fifty percent (50%) of the RSUs will vest on the first anniversary date of the grant. The annual equity award will be based on DYNA's results and the successful completion of individual performance against set goals. The Compensation Committee of the Board of Directors will assess the goals to determine annual award.

**Equity Award:** On your start date, you will be granted a stock option for purchase of 35,000 shares of DYNA's common stock ("Stock Option"). The exercise price of the Stock Option will be based on the closing market share price of DYNA's common stock on the date of the grant. The Stock Option grant shall vest in equal amounts over a four-year period with twenty-five (25%) of the Stock Options vesting on the first, second, third and fourth anniversaries of the date of the grant.

**Responsibilities:** The following duties of this position will be those that are customary for a Chief Financial Officer of a publicly-traded company and as further set forth in the job description which will include providing services for DYNA.

**Benefits:** In addition to your compensation, you will be eligible to receive additional benefits which are offered by Dynatronics. Benefit eligibility begins on the 1<sup>st</sup> of the month following hire date. The Dynatronics benefits are described in detail in the employee *Benefits Guide* with the current 401(k) and PTO policies summarized below.

Paid Time Off: You will be eligible for Dynatronics' unlimited, flexible Paid Time Off (PTO) policy, which does not prescribe vacation/sick days or a set PTO accrual. You will simply continue to receive your regular pay when taking time away from work for vacation or other personal reasons. However, extended leaves of absences (e.g., medical leave under FMLA) are excluded and will need to be separately negotiated.

401(k): You will be eligible for Dynatronics' 401(k) retirement program administered by Fidelity Investments. You will become eligible to participate in this program on the 1<sup>st</sup> of the month following hire date. You will be eligible for a match of 50% of your contributions, up to a maximum of 6% of eligible compensation and caps at \$3000 annually. The Employer's contributions vest over a 6-year period (Year 1: 10%, Year 2: 20%, Year 3: 40%, ..., Year 6: 100%).

**Expenses:** Your Employer will promptly reimburse you for all reasonable business expenses incurred by you in performing your duties.

**Code of Ethics:** Your Employer and Dynatronics are committed to maintaining the highest ethical standards and to conducting business with the highest level of integrity. Employees are required to adhere to all policies, including its *Code of Business Ethics* and uphold an uncompromising standard of conduct, honesty, integrity, and ethics in dealing with each other and with customers, regulators, vendors, and all other third parties. In addition to personally complying with the *Code of Business Ethics*, employees have a responsibility to report any violations of such policy. Failure to abide by this Code or report any violation will result in disciplinary action, up to and including termination of employment.

**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 President & CEO, whose permission may be withheld for any reason.

**Non-compete:** As a condition of employment, you will be required to sign a confidentiality agreement and non-compete agreement that will limit your ability to be employed by a competitor of your Employer, Dynatronics or its affiliates for a 12-month period following your termination.

**Prior Covenants:** You represent that you are not party to any restrictive covenant from prior employment limiting your ability to perform the duties described in this offer of employment and that accepting this offer of employment will not knowingly violate any restrictive covenant imposed on you by a prior employer. You and Dynatronics agree that Dynatronics has no interest in any information you may have that is deemed proprietary or confidential under any restrictive covenants with any prior employer or other third party. You will not divulge such information, directly or indirectly, to Dynatronics. You will not use or disclose proprietary or confidential information or trade secrets of any former employer or other person or other entity with which you have any agreement or duty of confidentiality.

**At will:** As an at-will employer, your Employer reserves the right to terminate any employee at any time for any reason or for no reason at all. It should be understood that this offer of employment is not a contract nor is it a guarantee of employment for any specific period of time. This provision is subject to the laws of the state in which you live.

**Start Date:** Once you have accepted our offer, we would like your official employment start date to be no later than Monday, March 30, 2020. This date is negotiable, depending on your availability. Employment is also dependent on an acceptable background check (employment verification, credit, criminal, education, etc.) and acceptable results from a drug testing screen and both must be completed and results received prior to your employment state date.

We are genuinely excited about adding you to our team and hope you share in our enthusiasm about the future potential of Dynatronics. We look forward to hearing back from you by the end of business on the 20th day of March, 2020.

Sincerely,  
BIRD & CRONIN LLC

/s/ Brian D. Baker  
*Chief Executive Officer*

/s/ John A. Krier

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

I, Brian D. Baker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: May 14, 2020

By: /s/ Brian D. Baker

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Brian D. Baker  
President and Chief Executive Officer  
(Principal Executive Officer)

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

I, John A. Krier, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: May 14, 2020

By: /s/ John A. Krier

\_\_\_\_\_  
John A. Krier  
Chief Financial Officer  
(Principal Financial Officer)

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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, Brian D. Baker, the Chief Executive Officer hereby certify, that, to my knowledge:

- (1) The Quarterly Report on Form 10-Q for the period ended March 31, 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: May 14, 2020

By: /s/ Brian D. Baker

\_\_\_\_\_  
Brian D. Baker  
President and Chief Executive Officer  
(Principal Executive 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.]

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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 hereby certify, that, to my knowledge:

- (1) The Quarterly Report on Form 10-Q for the period ended March 31, 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: May 14, 2020

By: /s/ John A. Krier

\_\_\_\_\_  
John A. Krier  
Chief Financial Officer  
(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.]

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