

DYNATRONICS CORP
Form DEF 14A
October 14, 2008

DYNATRONICS CORPORATION
7030 Park Centre Drive
Salt Lake City, Utah 84121
(801) 568-7000

October 14, 2008

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Dynatronics Corporation that will be held on Tuesday, November 25, 2008 at 4:00 p.m., at the corporate headquarters located at 7030 Park Centre Drive, Salt Lake City, Utah.

An outline of the business to be conducted at the meeting is given in the accompanying Notice of Annual Meeting and the Proxy Statement. In addition to the matters to be voted on, there will be a report on our progress and an opportunity for shareholders to ask questions.

After reading the Proxy Statement, please mark, date, sign and return at your earliest convenience the enclosed proxy in the enclosed envelope to ensure that your shares will be represented. **YOUR SHARES CANNOT BE VOTED UNLESS YOU SIGN, DATE, AND RETURN THE ENCLOSED PROXY OR ATTEND THE ANNUAL MEETING IN PERSON.**

A copy of Dynatronics Corporation's Annual Report to Shareholders is also enclosed, but is not a part of the proxy solicitation materials, except to the extent it is incorporated by reference therein.

I hope you will be able to join us. The Board of Directors and management look forward to seeing you at the meeting.

Sincerely yours,

/s/ Kelvyn H. Cullimore, Jr.

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

DYNATRONICS CORPORATION

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To be held November 25, 2008

TO THE SHAREHOLDERS OF DYNATRONICS CORPORATION:

The Annual Meeting of Shareholders of Dynatronics Corporation, a Utah corporation (the “Company” or “Dynatronics”), will be held at the corporate headquarters located at 7030 Park Centre Drive, Salt Lake City, Utah, on Tuesday, November 25, 2008, at 4:00 p.m. Mountain Time for the following purposes, all as more fully described in the accompanying Proxy Statement:

1. To elect seven directors to hold office until the next Annual Meeting of Shareholders and thereafter until their respective successors have been elected or appointed and qualified;
2. To ratify the appointment of Tanner LC as Dynatronics’ independent registered public accounting firm for the fiscal year ending June 30, 2009; and
3. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

Shareholders of record owning shares of common stock at the close of business on Tuesday, October 7, 2008, are entitled to notice of and to vote at this Annual Meeting and any adjournment thereof.

BY ORDER OF THE BOARD OF
DIRECTORS

/s/ Bob Cardon
Bob Cardon
Vice President of Administration
and Secretary/Treasurer

Salt Lake City, Utah
October 14, 2008

IMPORTANT

Whether or not you expect to attend the Annual Meeting, we urge you to complete, date, sign and return the enclosed proxy without delay in the enclosed envelope so that your shares are represented at the Annual Meeting. Even if you have given your proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain from the record holder a proxy issued in your name. Your proxy is revocable in accordance with the procedures set forth in the Proxy Statement.

PROXY STATEMENT

DYNATRONICS CORPORATION

7030 Park Centre Drive
Salt Lake City, Utah 84121

We are furnishing this Proxy Statement to you and other shareholders of Dynatronics Corporation, a Utah corporation (the “Company” or “Dynatronics”), pursuant to Regulation 14A under the Exchange Act of 1934 in connection with the solicitation of proxies in the enclosed form for use in voting at the Annual Meeting of Shareholders and any adjournment thereof. The Annual Meeting is scheduled to be held at 4:00 p.m. Mountain Time on Tuesday, November 25, 2008, at the corporate headquarters of the Company located at 7030 Park Centre Drive, Salt Lake City, Utah.

Solicitation of Proxies

The Company is soliciting the attached proxy on behalf of its Board of Directors (the “Board of Directors” or “Board”) in connection with the Annual Meeting. This Proxy Statement, the Notice of Annual Meeting, the accompanying form of proxy, and the Annual Report to Shareholders were mailed on or about October 22, 2008, to shareholders of record as of October 7, 2008, who are entitled to vote at the meeting.

Dynatronics will pay the cost of preparing and disseminating this information. In addition to the solicitation of proxies by use of the mails, the directors, officers and employees of Dynatronics may solicit proxies personally or by telephone or facsimile or otherwise. Arrangements will be made with brokerage firms and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of the shares of common stock held by such persons, and we will reimburse such brokerage firms and others for their expenses incurred in connection therewith. Directors, officers, or employees of the Company will not be additionally compensated for this solicitation but may be reimbursed for out-of-pocket expenses they incur. The proxy statement will also be made available on the Company’s website, www.dynatronics.com.

Each proxy executed and returned by a shareholder may be revoked at any time thereafter by written notice to the Company’s VP of Administration prior to the Annual Meeting, by execution of a written proxy bearing a later date, or by attending the Annual Meeting and voting in person. No such revocation will be effective, however, with respect to any matter or matters upon which, prior to such revocation, a vote shall have been cast pursuant to the authority conferred by such proxy.

Voting

Your shares will be voted as you direct on your signed proxy card. If you do not specify on your proxy card how you want to vote your shares, we will vote signed returned proxies:

1. FOR the election of the Board’s nominees for directors; and
2. FOR ratification of the appointment of Tanner LC as the independent registered public accounting firm of Dynatronics for the fiscal year ending June 30, 2009;

We do not know of any other business that may be presented at the meeting. If a proposal other than those listed in the Notice is presented at the Annual Meeting, your signed proxy card authorizes the persons named in the proxy to vote your shares on such matters in their discretion.

Only those holders of our common stock as of the close of business on October 7, 2008, which we have designated as the "Record Date," are entitled to receive notice of and to vote at the Annual Meeting. At the close of business on the Record Date, there were 13,657,207 shares of the Company's common stock, no par value, issued and outstanding, each such share entitled to one vote.

A quorum of shareholders, present in person or by proxy, consists of the holders of a majority of the outstanding shares as of the Record Date for purposes of conducting any business at the Annual Meeting. Abstentions and broker non-votes will be counted as “represented” for the purpose of determining the presence or absence of a quorum, but will not be counted for any other purpose. Under Utah law, once a quorum is established, shareholder approval with respect to a particular proposal is generally obtained when the votes cast in favor of the proposal exceed the votes cast against the proposal, except for the election of Directors which is determined by a simple plurality of the votes cast.

PROPOSAL 1 - ELECTION OF DIRECTORS

Directors are elected at each Annual Meeting of the Shareholders and hold office until the next Annual Meeting when their respective successors are duly elected and qualified. The persons named as proxies in the enclosed proxy intend to vote for the election of each of the seven nominees listed below, unless instructions to the contrary are given in the proxy. The seven nominees have indicated that they are able and willing to continue to serve as directors. The Board of Directors has no reason to believe that any nominee named herein will be unable or unwilling to serve. However, if some unexpected occurrence should require the substitution of some other person or persons for any one or more of the nominees, the proxy holders will vote for such nominee or nominees as the Board of Directors may select. A plurality of votes cast at the Annual Meeting is required to elect each nominee.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” EACH NOMINEE.

The nominees are: Kelvyn H. Cullimore Jr., Kelvyn H. Cullimore, Larry K. Beardall, Howard L. Edwards, Val J. Christensen, Joseph H. Barton and Mark A. Crockett.

Executive Officers and Directors

The following table contains information concerning the Company’s directors and executive officers as of the date of this Proxy Statement:

| Name | Age | Director or Officer Since | Position with Company |
|--------------------------|-----|---------------------------------|---|
| Kelvyn H. Cullimore, Jr. | 52 | 1983 | Chairman, President, and CEO |
| Kelvyn H. Cullimore | 73 | 1983 | Vice Chairman |
| | | | Executive Vice President of Sales and Marketing and |
| Larry K. Beardall | 52 | 1986 | Director |
| Howard L. Edwards** | 77 | 1997 | Director |
| Val J. Christensen** | 55 | 1999 | Director |
| Joseph H. Barton** | 80 | 2004 | Director |
| Mark A. Crockett* | 43 | 2008 | Director |
| Ronald J. Hatch | 64 | 2002 | Vice President of R&D |
| Terry M. Atkinson, CPA | 55 | 2005 | Chief Financial Officer |
| Robert J. Cardon | 45 | 1992 | Vice President of Administration, Secretary & Treasurer |

* Member of Compensation Committee.

** Member of Audit and Compensation Committees.

Kelvyn H. Cullimore, Jr. has been Chairman of the Board of Directors since January 2005 and the Company's President and Chief Executive Officer since 1992. He served as Secretary/Treasurer from 1983 to 1992 and as Administrative Vice President from 1988 to 1992. He has been a member of the Board of Directors of the Company and its predecessors since 1979. Mr. Cullimore graduated cum laude from Brigham Young University in 1980 with a degree in Financial and Estate Planning. In addition to his involvement with Dynatronics, Mr. Cullimore served as Executive VP and a director of Dynatronics' former parent company. He currently serves on the Board of Directors of ITEC Attractions, Inc. (ITEC), an entertainment, restaurant and retail mall operation in Branson, MO. Mr. Cullimore has served previously on the Boards of a printing company, lumber company, and travel agency. Mr. Cullimore is a member of the Board of the Medical Device Manufacturer's Association, a national medical device trade association headquartered in Washington D.C. He also serves as the Mayor of Cottonwood Heights, Utah, a suburb of Salt Lake City, where Dynatronics' corporate headquarters are located.

Kelvyn H. Cullimore was elected Vice Chairman in January 2007. Previously, he served as Chairman of the Board from April 1983 until January 2005. From 1983 to 1992, Mr. Cullimore was President of Dynatronics. Mr. Cullimore received a B.S. degree in Marketing from Brigham Young University in 1957. Following graduation, he worked for a number of years as a partner in a family-owned home furnishings business in Oklahoma City, Oklahoma. Mr. Cullimore has participated in the organization and management of various enterprises, becoming the president or general partner in several business entities, including real estate, motion picture, and equipment partnerships. From 1979 until 1992, Mr. Cullimore served as Chairman of the Board of American Consolidated Industries, the former parent company of Dynatronics. From 1986 until 1999, Mr. Cullimore served as President of ITEC and from 1986 to 1997 he served as ITEC's Chairman, President and CEO. Mr. Cullimore has served on the Board of Directors of ITEC since 1986. From January 2005 until October 2007, he took a leave of absence from Dynatronics to do humanitarian work in Asia. Kelvyn H. Cullimore is the father of Kelvyn H. Cullimore, Jr. No other family relationships exist among officers and directors.

Larry K. Beardall was appointed Executive Vice President of Dynatronics in December 1992. He has been a director and the Vice President of Sales and Marketing of Dynatronics since July 1986. Mr. Beardall joined Dynatronics in February of 1986 as Director of Marketing. He graduated from Brigham Young University with a degree in Finance in 1979. Prior to his employment with Dynatronics, Mr. Beardall worked with GTE Corporation in Durham, North Carolina as the Manager of Mergers and Acquisitions and then with Donzis Protective Equipment, a supplier of protective sports equipment in Houston, Texas, as National Sales Manager. He also served on the Board of Directors of Nielsen & Nielsen, Inc., the marketing arm for Donzis.

Howard L. Edwards was elected a director of the Company in January 1997. From 1968 to 1995, Mr. Edwards served in various capacities at Atlantic Richfield Company (ARCO) and its predecessor, the Anaconda Company, including corporate secretary, vice president, treasurer and general attorney. Prior to 1968, Mr. Edwards was a partner in the law firm of VanCott, Bagley, Cornwall and McCarthy, in Salt Lake City, Utah. He graduated from the George Washington University School of Law in 1959 and received a bachelor's degree in Finance and Banking from Brigham Young University in 1955.

Val J. Christensen joined the Board of Directors of the Company in January 1999. In 2007, Mr. Christensen became the Executive Vice President and General Counsel of EnergySolutions LLC. He previously served as Executive Vice President of Franklin Covey Company from 1996 to 2007, where he also was General Counsel from 1990. He was a member of Franklin's Board of Directors from 1991 to 1997. Prior to joining Franklin, Mr. Christensen practiced law with the international law firm of LeBoeuf, Lamb, Leiby & MacRae, specializing in general business and business litigation matters. Following graduation from law school in 1980, Mr. Christensen served as a law clerk to the Honorable James K. Logan of the United States Tenth Circuit Court of Appeals. He is an honors graduate of the J. Rueben Clark Law School at Brigham Young University and served as articles editor of the BYU Law Review.

Joseph H. Barton was elected a director in September 2004. He previously served on the Board of Directors from 1996 to 2002. Mr. Barton received a Civil Engineering degree from the University of California at Berkeley and has held various executive positions including President of J.H. Barton Construction Company, Senior Vice President of Beverly Enterprises, and President of KB Industries, a building and land development company. Most recently, Mr. Barton served as Senior Vice President of GranCare, Inc. from 1989 to 1994.

Mark A. Crockett was appointed to the Board of Directors in July 2008 to fill the vacancy created by the passing of long-time Board member, Dr. E. Keith Hansen. Since 2005, Mr. Crockett has served as a principal of NightWatch Capital, a mid-sized value-oriented hedge fund. Since 1999, he served as the director of client services for Harvest Earnings, an operations improvement consulting firm for banks and corporations. From 1999 to 2002, Mr. Crockett served as CEO of Tax One, a chain of tax preparation centers. From 1994 to 1999, he worked with McKinsey & Company and from 1993 to 1994, he worked at the law firm of Latham & Watkins. Mr. Crockett earned a bachelor's

degree in economics from Brigham Young University in 1989 and a juris doctorate degree from Stanford University in 1993.

Ronald J. Hatch has served as Vice President of Production and R&D since 2002. Prior to joining Dynatronics in June 2002, Mr. Hatch worked with Lineo, Inc. as a Senior Project Manager from 1999 to 2002. From 1972 to 1998, he served in various management responsibilities at Philips Semiconductors – Signetics. He graduated from Brigham Young University with a degree in Electronics Engineering Technology in 1970 and received an MBA degree from the University of Phoenix (in Salt Lake City) in 1991.

Terry M. Atkinson, CPA was appointed Chief Financial Officer in January 2005. He previously served as the Company's controller from 1994 to 2004. Prior to joining the Company, Mr. Atkinson worked as the controller of Southern American Insurance Company from 1988 to 1994. From 1985 to 1988, he served as the controller at Doxey-Hatch Medical Center. From 1980 to 1985, Mr. Atkinson worked as a certified public accountant in public accounting with the accounting firms of Gothard and Company and Wursten Lewis & Bunker in Salt Lake City. He received his CPA license in Utah in 1983.

Robert J. Cardon was appointed Vice President of Administration in March 2007. He has served as the Company's Corporate Secretary since 1992 and was named Treasurer in 2004. From 1992 until 2005, Mr. Cardon also served as Secretary/Treasurer of ITEC Attractions. From 1987 to 1988, Mr. Cardon was employed as a registered representative of an investment-banking firm. He received his BA degree in 1987 and his MBA degree in 1990, both from Brigham Young University.

Directors hold office until the next Annual Meeting of Shareholders and until their successors have been elected or appointed and duly qualified. Executive officers are appointed by the Board of Directors at the first Board meeting after each Annual Meeting of Shareholders and hold office until their successors are elected or appointed and duly qualified. Vacancies on the Board which are created by the retirement, death, resignation or removal of a director, or by an increase in the number of Directors, may be filled by the vote of the remaining members of the Board, with such new director serving the remainder of the term or until his successor shall be elected and qualify.

Independence of the Board

The Board of Directors has determined, after considering all of the relevant facts and circumstances, that each of Mr. Edwards, Mr. Christensen, Mr. Barton and Mr. Crockett is independent within the meaning of the applicable Nasdaq Marketplace Rules. This means that the Board has determined that those directors (1) are not officers or employees of the Company or its subsidiaries and (2) have no direct or indirect relationship with the Company that would interfere with the exercise of their independent judgment in carrying out the responsibilities of a director. As a result, the Board of Directors has determined that the Company has a majority of independent directors as required by the Nasdaq Marketplace Rules.

Committees of the Board of Directors

The Board of Directors has two standing committees: the Compensation Committee and the Audit Committee, each comprised solely of independent directors. The Board does not have a standing nominating committee or other committee that recommends qualified candidates to the Board of Directors for nomination or election as directors. For further information on director nominations, see "Director Nominations" below.

Compensation Committee

The Compensation Committee is responsible for reviewing and approving, where required, the compensation, as well as evaluating the performance, of our executive officers, and advising and assisting management in developing our overall compensation strategy to assure that it promotes shareholder interests, supports our strategic and tactical objectives, and provides for appropriate rewards and incentives for our management and employees. The Compensation Committee does not have a separate charter. In exercising its responsibilities, the Compensation Committee establishes and monitors policies governing the compensation of executive officers, reviews the performance of and determines salaries and incentive compensation for executive officers, and makes option awards to those individuals. Additionally, the Compensation Committee administers our stock plans and reviews and approves the structure of our bonus plans. The following independent directors are the members of the Compensation Committee: Val J. Christensen (committee chairman), Howard L. Edwards, Joseph H. Barton and Mark A.

Crockett. The Compensation Committee held two meetings during the fiscal year ended June 30, 2008.

Audit Committee

The Audit Committee, which has been established in accordance with requirements of Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (the "Exchange Act"), is comprised of the following independent directors: Howard L. Edwards (committee chairman), Joseph H. Barton and Val J. Christensen. The Board of Directors has determined that each member of the Audit Committee (i) is independent, (ii) meets the financial literacy requirements of the Nasdaq Marketplace Rules, and (iii) meets the enhanced independence standards established by the Securities and Exchange Commission ("SEC") and that Mr. Edwards qualifies as an "audit committee financial expert" as that term is defined in Item 407(d)(5)(ii) of Regulation S-K promulgated under the Exchange Act by the SEC.

The Audit Committee is primarily concerned with the integrity of our financial statements, the independence, qualifications and performance of our independent registered public accounting firm, and our compliance with legal requirements. The Audit Committee operates under a written Audit Committee charter approved by the Board that reflects standards and requirements adopted by the SEC and Nasdaq. The Audit Committee Charter can be found on our website, www.dynatronics.com, in the Company Information, Investor Relations, Company Policies section. The Audit Committee held four meetings during fiscal year 2008. According to its charter, the Audit Committee's duties include selecting the independent registered public accounting firm; reviewing the scope of the audit to be conducted by our independent registered public accounting firm; overseeing our independent registered public accounting firm and reviewing the results of their audit; reviewing our financial reporting processes, including the accounting principles and practices followed and the financial information provided to shareholders and others; overseeing our internal control over financial reporting and disclosure controls and procedures; and serving as our legal compliance committee.

Meetings of the Board of Directors

There were six regular meetings of the Board of Directors held during the fiscal year ended June 30, 2008. No director attended fewer than 75% of all meetings of the Board during the fiscal year and all meetings held by committees on which such director served.

Although the Board of Directors does not have a formal policy regarding director attendance at the Annual Meeting of Shareholders, the Board encourages all directors and director nominees to attend the Annual Meeting.

Executive Sessions of Independent Directors

The independent directors meet in executive session at scheduled times during the year. Mr. Christensen presides at these meetings as lead independent director. If Mr. Christensen is unable to participate, another non-management director designated by the remaining independent directors will preside at these meetings.

Communications with the Board of Directors

Shareholders may communicate directly with the Board of Directors by writing to them at Board of Directors, c/o Vice President of Administration, Dynatronics Corporation, 7030 Park Centre Drive, Salt Lake City, Utah 84121. The VP of Administration will forward the communication to the director or directors to whom it is addressed, except for communications that are (1) advertisements or promotional communications, (2) solely related to complaints with respect to ordinary course of business customer service and satisfaction issues or (3) clearly unrelated to the Company's business, industry, management or Board or committee matters.

Code of Conduct and Ethics

The Company has established a Code of Business Ethics that applies to its officers, directors and employees. The Code of Business Ethics contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics, and is intended to qualify as a “code of ethics” within the meaning of the Exchange Act and as a “code of business conduct and ethics” within the meaning of the Nasdaq Marketplace Rules.

All of our directors, officers and employees must act in accordance with our Code of Business Ethics. Employees and directors are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Business Conduct and Ethics. In addition, the Company’s Audit Committee has established procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

The Code of Business Ethics is available on the Company’s website at www.dynatronics.com, in the Company Information, Investor Relations, Company Policies section. A copy may also be obtained by writing to the VP of Administration at Dynatronics Corporation, 7030 Park Centre Drive, Salt Lake City, Utah 84121.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company rents office and/or warehouse space in Pleasanton, California; Detroit, Michigan; and Girard, Ohio. These buildings are owned, respectively, by the Rajala Family Trust, Steve Cyman and Tony Trolio who are the former owners of three of the dealerships acquired on June 30 and July 2, 2007. As part of the purchase price for their distribution companies, the Rajala Family Trust, Steve Cyman and Tony Trolio were paid with shares of Dynatronics stock and are currently 5% or greater shareholders of the Company. The rental payments for each facility are comparable to or below market rates for similar properties.

Except as described above and in this Proxy Statement under the captions, "Employment Contracts" and "Salary Continuation Plan," during the two years ended June 30, 2008 Dynatronics was not a party to any transaction in which any director, executive officer or shareholder holding more than 5% of the issued and outstanding common stock had a direct or indirect material interest.

Director Nominations

The Board of Directors does not have a nominating committee or other committee that recommends qualified candidates to the Board for nomination or election as directors. The Board of Directors believes that, because of the Company's relatively small size, and because of the historically few and infrequent vacancies on the Board, it is in the best interest of the Company to permit all of the independent directors to fully participate in the director nomination process. The Board of Directors has adopted a nominations process that provides that the Company's independent directors, acting by a majority vote, are authorized to recommend individuals as nominees to the Board of Directors.

The independent directors are responsible for reviewing and interviewing qualified candidates to serve on the Board of Directors, for making recommendations to the full Board for nominations to fill vacancies on the Board and for selecting the nominees to the Board to be elected by the Company's shareholders at each Annual Meeting.

Director Qualifications

The independent directors have established certain criteria they consider as guidelines in considering nominations to the Board of Directors. The criteria include: (a) personal characteristics, including such matters as integrity, age, education, diversity of background and experience, absence of potential conflicts of interest with the Company or its operations, and the availability and willingness to devote sufficient time to the duties of a director of the Company; (b) experience in corporate management, such as serving as an officer or former officer of a publicly held company; (c) experience in the Company's industry and with relevant social policy concerns; (d) experience as a Board member of another publicly-held company; (e) academic expertise in an area of the Company's operations; and (f) practical and mature business judgment. The criteria are not exhaustive and the independent directors and the full Board of Directors may consider other qualifications and attributes they believe are appropriate in evaluating the ability of an individual to serve as a member of the Board of Directors. The independent directors seek to assemble a Board of Directors that brings to the Company a variety of perspectives and skills derived from high-quality business and professional experience.

Identification and Evaluation of Nominees

The independent directors may use multiple sources for identifying and evaluating nominees for directors, including referrals from the Company's current directors and management as well as input from third parties, including executive search firms retained by the Board. The independent directors will obtain background information about candidates, which may include information from questionnaires and background and reference checks, and will then interview qualified candidates. The Company's other directors will also have an opportunity to meet and interview qualified

candidates. The independent directors will then determine, based on the background information and the information obtained in the interviews, whether to recommend to the Board of Directors that a candidate be nominated to the Board.

Shareholder Nominations

The independent directors may from time to time consider qualified nominees recommended by shareholders, who may submit recommendations to the independent directors through a written notice as described under “Shareholder Proposals” below. Nominees for director who are recommended by shareholders will be evaluated in the same manner as any other nominee for director.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the executive officers and directors, and persons who own more than 10% of the Company's common stock ("Reporting Persons") to file initial reports of ownership and to report changes in ownership in reports filed with the Securities and Exchange Commission. Reporting Persons are required by regulation of the Securities and Exchange Commission to furnish Dynatronics with copies of all Section 16(a) forms they file.

Based solely on review of the copies of such forms furnished to Dynatronics during and with respect to the fiscal year ended June 30, 2008, Dynatronics believes that during fiscal year 2008 all Section 16(a) filings applicable to these Reporting Persons were timely filed.

BENEFICIAL OWNERSHIP OF SECURITIES

Voting Securities and Principal Shareholders

The following table contains information as of October 7, 2008 with respect to beneficial ownership of shares of our common stock, for (1) all persons known to be holders of more than 5% of our voting securities; (2) each director, (3) each executive officer named in the Summary Compensation Table of this Proxy Statement (the "Named Executive Officers") holding office on October 7, 2008, and (4) all executive officers and directors as a group. Unless noted otherwise, Dynatronics believes each person named below has sole voting and investment power with respect to the shares indicated. Unless otherwise indicated, the address of the shareholder is Dynatronics' principal executive offices, 7030 Park Centre Drive, Salt Lake City, UT 84121.

Holders of Greater than 5% of Voting Securities

| Name of Beneficial Owner | Number of Shares(1) | Percent of Class |
|---|---------------------|------------------|
| John Rajala 12 Red Maple Place Danville, CA 94506 | 1,306,453 (2) | 9.6% |
| Donald G. Whittington 3707 Spring Hill Lane Sugarland, TX 77479 | 840,000 | 6.2% |
| Stephen Cyman 50760 Metzen Dr. Chesterfield, MI 48051 | 750,000 | 5.5% |
| Anthony Trolio 445 Fifth Ave Hubbard, OH 44425 | 700,000 | 5.1% |

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. Included in the computation of the number of shares beneficially owned by a person and the

percentage ownership of that person are shares of common stock subject to options, warrants, or other convertible instruments held by that person that are exercisable or that become exercisable within 60 days of October 7, 2008. Such shares, however, are not deemed outstanding for purposes of computing the percentage ownership of any other person.

(2) Includes 12,097 shares owned directly, 96,775 shares owned by Mr. Rajala's wife and 1,197,581 shares owned by a family trust.

Security Ownership of Management

| Name of Beneficial Owner | Number of Shares(1) | Percent of Class |
|--------------------------|---------------------|------------------|
|--------------------------|---------------------|------------------|

Directors

| | | | |
|--------------------------|---------|-----|------|
| Kelvyn H. Cullimore, Jr. | 644,780 | (2) | 4.7% |
| Kelvyn H. Cullimore | 189,104 | (3) | 1.4% |
| Larry K. Beardall | 240,588 | (4) | 1.8% |
| Howard L. Edwards | 102,110 | (5) | * |
| Joseph H. Barton | 56,110 | (6) | * |
| Val J. Christensen | 47,110 | (7) | * |
| Mark A. Crockett | 15,000 | (8) | * |

Other Named Executive Officers

| | | | |
|-------------------|--------|------|---|
| Ronald J. Hatch | 58,000 | (9) | * |
| Terry M. Atkinson | 50,000 | (10) | * |

| | | | |
|--|-----------|--|-------|
| All executive officers and directors as a group (10 persons) | 1,097,302 | | 10.6% |
|--|-----------|--|-------|