

DYNATRONICS CORP
Form DEF 14A
October 30, 2012

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

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

DYNATRONICS CORPORATION
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- (1) Title of each class of securities to which transaction applies:
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DYNATRONICS CORPORATION
7030 Park Centre Drive
Cottonwood Heights, Utah 84121
(801) 568-7000

October 30, 2012

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Dynatronics Corporation that will be held on Monday, December 17, 2012 at 3:00 p.m., at the corporate headquarters located at 7030 Park Centre Drive, Cottonwood Heights, 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, following the meeting there will be a report on our progress and an opportunity for shareholders to ask questions.

After reading the Proxy Statement, please follow the voting instructions in this Proxy Statement to ensure that your shares will be represented. **YOUR SHARES CANNOT BE VOTED UNLESS YOU SIGN, DATE, AND RETURN A PROXY CARD, REGISTER YOUR VOTE BY TELEPHONE, OR ATTEND THE ANNUAL MEETING IN PERSON.**

A copy of our Annual Report to Shareholders is available on the Company's website at www.dynatronics.com. The Annual Report is not a part of the proxy solicitation materials, except to the extent it is incorporated by reference therein.

If you have any questions about the meeting, we invite you to communicate with Bob Cardon, our Vice President of Administration.

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 December 17, 2012

TO OUR SHAREHOLDERS:

The Annual Meeting of Shareholders (“Annual Meeting”) of Dynatronics Corporation, a Utah corporation (the “Company”), will be held at the corporate headquarters located at 7030 Park Centre Drive, Cottonwood Heights, Utah, on Monday, December 17, 2012, at 3:00 p.m. Mountain Time for the following purposes, all as more fully described in the accompanying Proxy Statement:

1. To elect five directors to hold office until the next annual meeting of the Company’s shareholders and thereafter until their respective successors have been elected or appointed and qualified;
2. To approve a reverse stock split of the Company’s common stock in order to maintain our NASDAQ listing;
3. To ratify on an advisory basis the appointment of Larson & Rosenberger LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2013; and
4. To transact such other business that properly comes before the Annual Meeting or any adjournment or postponements thereof.

Only shareholders of record at the close of business on Monday, October 25, 2012, are entitled to notice of, and to vote at, this Annual Meeting and any adjournment thereof. It is important that your shares be represented at the meeting. Please follow the voting instructions in this Proxy Statement, regardless of whether you plan to attend in person.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Bob Cardon

Bob Cardon

Vice President of Administration and Secretary/Treasurer

Cottonwood Heights, Utah
October 30, 2012

IMPORTANT

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.

DYNATRONICS CORPORATION

PROXY STATEMENT FOR
2012 ANNUAL MEETING OF SHAREHOLDERS
To Be Held December 17, 2012

This Proxy Statement contains information related to the Annual Meeting of Shareholders (“Annual Meeting”) of Dynatronics Corporation, a Utah corporation (“we,” “us,” “our,” the “Company” or “Dynatronics”), to be held at 3:00 p.m. Mountain Time on Monday, December 17, 2012, at our corporate headquarters, 7030 Park Centre Drive, Cottonwood Heights, Utah and at any postponements or adjournments thereof.

A form of proxy is furnished with this Proxy Statement to all shareholders of the Company for use at the Annual Meeting. This proxy is solicited on behalf of the Board of Directors of the Company (the “Board of Directors”). We will pay the cost of preparing and disseminating this information. In addition to the solicitation of proxies by use of the mail, our directors, officers and employees may solicit proxies personally or by telephone or facsimile or otherwise. Management of the Company will not be separately compensated for such solicitation services, although we may reimburse them for their out-of-pocket expenses, if any. 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.

Please register your vote by following the voting instructions in this Proxy Statement or in the Notice of Internet Availability. Each proxy executed and returned by a shareholder prior to the Annual Meeting will be voted according to the instructions given in the proxy. Your execution of the enclosed proxy will not affect your right as a shareholder to attend the Annual Meeting and to vote in person. Any shareholder giving a proxy may revoke it at any time prior to its use at the Annual Meeting by giving written notice to our Vice President of Administration, by filing a revoking instrument or a duly executed proxy bearing a later date with our Vice President of Administration, or by attending the Annual Meeting and voting in person.

Important Notice Regarding Internet Availability of Proxy Materials

In accordance with rules approved by the Securities and Exchange Commission (“SEC”), instead of mailing a printed copy of the Company’s proxy materials to shareholders, the Company may now furnish proxy materials to shareholders on the Internet by providing a Notice of Internet Availability of Proxy Materials (the “Notice of Internet Availability”) to shareholders when the materials are available on the Internet. If your shares are registered directly in your name with Interwest Transfer Company, our transfer agent, you are considered a shareholder of record. As a shareholder of record of the Company at the close of business on October 25, 2012 (the “Record Date”), you may receive a “full set delivery” of our proxy materials, including this Proxy Statement, our Annual Report to Shareholders, and the form of proxy card (the “Full Set Delivery”) and you may vote in person at the Annual Meeting or you can complete and sign the enclosed proxy card, and return it to the Company by mail. If you submit a proxy card, we will vote your shares as you direct. If you submit a proxy card without giving specific voting instructions, those shares will be voted as recommended by the Board.

If your shares are held in a stock brokerage account or other nominee, you are considered the beneficial owner of those shares, and your shares are held in “street name.” If you hold your shares in “street name,” you will receive instructions from your broker or other nominee describing how to vote your shares. If you do not instruct your broker or nominee how to vote such shares, they may vote your shares as they decide as to each matter for which they have discretionary authority under the rules of the NASDAQ Stock Market. Note that this limitation on the nominees’

discretionary authority may preclude many of these nominees from voting your shares, absent your direction, on Proposal One (election of directors) and Proposal Two (the approval of the reverse stock split).

You may also receive the Notice of Internet Availability, in which case you will not receive a printed copy of the proxy materials unless you specifically request one. Instead, the Notice of Internet Availability will instruct you on how you may access and review all of the Company's proxy materials and the Company's Annual Report over the Internet, and to register your vote. If you receive a Notice of Internet Availability and would still like to receive a printed copy of all of the Company's proxy materials, including the Proxy Statement and Annual Report, you should follow the instructions below for requesting these materials.

The Company intends to commence distribution of the proxy materials and/or the Notice of Internet Availability to shareholders on or about October 30, 2012.

On or about October 30, 2012, the Company will first make available the proxy solicitation materials at <http://dynatronics.com/Portals/0/CorpFiles/ProxyStatement.pdf> to all shareholders entitled to vote at the Annual Meeting. You may also request a printed copy of the proxy solicitation materials and Annual Report by any of the following methods: by telephone at (800) 874-6251; or by sending an e-mail to our Vice President of Administration and Corporate Secretary, Bob Cardon, at BobC@dynatron.com.

QUESTIONS AND ANSWERS ABOUT THE MEETING

Q: Why am I receiving this Proxy Statement?

A: We are holding our Annual Meeting to elect the members of our Board of Directors, as described in Proposal One. In addition, we are seeking shareholder approval for a reverse stock split to maintain our listing on NASDAQ, and seeking advisory approval and ratification of the appointment of Larson & Rosenberger LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2013, as more fully described in Proposals Two and Three, respectively.

Q: What do I need to do now?

A: We urge you to carefully read and consider the information contained in this Proxy Statement. If applicable, you should then vote as soon as possible in accordance with the instructions provided in this Proxy Statement, by telephone, by returning a signed proxy card if you receive one as a shareholder of record of the Company, or by Internet if that option is available to you.

Q: What is the quorum requirement for the Annual Meeting?

A: The holders of a majority of the shares entitled to vote at the Annual Meeting must be present at the Annual Meeting for the transaction of business. This is called a quorum. Your shares will be counted for purposes of determining if there is a quorum, whether representing votes for, against or abstained, if you:

- Are present and vote in person at the Annual Meeting; or
- Have voted by telephone or by properly submitting a proxy card or vote instruction form by mail.

If a quorum is not present, the Annual Meeting will be adjourned until a quorum is obtained.

Q: How are proxies voted?

A: All shares represented by valid proxies received prior to the Annual Meeting will be voted and, where a shareholder specifies by means of the proxy a choice with respect to any matter to be acted upon, the shares will be voted in accordance with the shareholder's instructions.

Q: How do I vote?

A: You can vote your shares using one of the following methods:

- Vote by telephone by following the instructions in the Notice of Internet Availability;
- For those shareholders of record who receive the Full Set Delivery of all printed proxy materials, including a form of proxy card for voting (meaning that you hold your shares in your own name, not in the name of a broker, bank, or nominee), you may complete and sign the proxy card, and return it to the Company by mail; or
- If you hold your shares in "street name," which means your shares are held of record by a broker, bank or nominee, you must follow the instructions received from your broker or nominee (the record holder of your shares) to vote your shares. Please refer to your proxy card or the voting instruction card delivered by your broker, bank or nominee to see if you may submit voting instructions using the Internet or

telephone; or

- You may request a printed copy of the proxy card, Proxy Statement, and Annual Report by following the instructions on the Notice of Internet Availability, then complete, sign, and return the proxy card to the Company by mail; or
- You may attend and vote your shares in person at the meeting.

If you use telephone voting as your voting method, you do not need to return a proxy card or voting instruction card. Unless you are planning to vote in person at the meeting, your vote must be received by 11:59 p.m. Mountain Time, on December 16, 2012.

Even if you submit your vote by one of the first four methods mentioned above, you may still vote at the meeting if you are the record holder of your shares or hold a legal proxy from the record holder. Your vote at the meeting will constitute a revocation of any earlier delivered proxy or voting instructions.

Q: What happens if I do not vote?

A: If you are a record holder of your shares and you do not submit a proxy card, vote at the Annual Meeting in person, or register your vote by telephone, your shares will not be counted as present for the purpose of determining the presence of a quorum, and your shares will not be voted at the meeting. If you submit a proxy card and affirmatively elect to abstain from voting, your shares will be counted as present for the purpose of determining the presence of a quorum but will not be voted at the Annual Meeting.

Q: If my Dynatronics shares are held in "street name," will my broker, bank, or nominee vote my shares for me on all proposals?

A: If you are a beneficial owner of shares held in street name and do not provide the organization that holds your shares with specific voting instructions, under the rules of various national and regional securities exchanges, the organization that holds your shares may generally vote on routine matters but cannot vote on non-routine matters. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, the organization that holds your shares will inform the inspector of election that it does not have the authority to vote on this matter with respect to your shares. This is generally referred to as a "broker non-vote."

Q: How are broker non-votes and abstentions treated?

A: Broker non-votes and abstentions are counted for purposes of determining whether a quorum is present. Only "FOR" and "AGAINST" votes are counted for purposes of determining the votes received in connection with each proposal, and therefore broker non-votes and abstentions have no effect on the proposal relating to the election of directors. In the case of each of the other proposals, broker non-votes and abstentions have no effect on determining whether the affirmative vote constitutes a majority of the shares present or represented by proxy and voting at the Annual Meeting. Approval of these other proposals also requires the affirmative vote of a majority of the shares necessary to constitute a quorum, however, and therefore broker non-votes and abstentions could prevent the approval of these other proposals because they do not count as affirmative votes. In order to minimize the number of broker non-votes, the Company encourages you to provide voting instructions to the organization that holds your shares by carefully following the instructions provided in the Notice.

Q: Which ballot measures are considered "routine" or "non-routine"?

A: The ratification of the appointment of Larson & Rosenberger LLP as the Company's independent registered public accounting firm for 2013 (Proposal Three) is considered a routine matter under applicable rules. A broker or other nominee may generally vote on routine matters, and therefore no broker non-votes are expected to exist in connection with Proposal Three. The election of directors (Proposal One) and the approval of a reverse stock split (Proposal Two) are matters considered non-routine under applicable rules. A broker or other nominee cannot vote without instructions on non-routine matters, and therefore there may be broker non-votes on Proposals One and Two.

Q: Can I change my vote after I have mailed my signed proxy or direction form?

A: Yes. If you are a record holder, you can change your vote at any time before your proxy is voted at the Annual Meeting by:

- delivering to our Vice President of Administration a signed notice of revocation;
- granting a new, later-dated proxy, which must be signed and delivered to the Vice President of Administration; or

- attending the Annual Meeting and voting your shares in person; however, your attendance alone will not revoke your proxy.

If your shares are held in street name and you have instructed your broker or nominee to vote your shares, you must follow your broker or nominee's directions in order to change your vote or revoke your proxy.

Q: What should I do if I receive more than one set of voting materials?

A: You may receive more than one set of voting materials, including multiple copies of this Proxy Statement and multiple proxy cards or voting instruction cards for a variety of reasons. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive.

Q: What if I object to the proposed transactions? Do I have dissenter's rights?

A: You may register your objection to a proposal by voting your shares against the proposal. However, there are no appraisal or other "dissenter's rights" available under state law for the types of transactions and proposals discussed in this Proxy Statement.

Q: Who will serve as the inspector of election?

A: A representative from the Company will serve as the inspector of election.

Q: Where can I find the voting results of the Annual Meeting?

A: The preliminary voting results will be announced at the Annual Meeting. The final voting results will be tallied by the inspector of election and published in a Current Report on Form 8-K, which the Company is required to file with the SEC within four business days following the Annual Meeting.

Q: Whom should I call with questions?

A: If you have any questions about the meeting, require directions to the meeting, or need additional copies of this Proxy Statement or the enclosed proxy card, you should contact:

Dynatronics Corporation
7030 Park Centre Drive
Cottonwood Heights, Utah 84121
Attn: Bob Cardon
Email address: Bobc@dynatron.com

VOTING OF SHARES

Our Board of Directors has fixed the close of business on October 25, 2012 as the "Record Date" for determining the shareholders entitled to receive notice of, and to vote at the Annual Meeting. At the close of business on the Record Date there were 12,688,650 shares of our common stock, no par value, issued and outstanding, each such share entitled to one vote. Our shares are held by approximately 2,600 shareholders.

Voting of Proxies

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 of Directors' nominees for directors listed in this Proxy Statement;
2. FOR the reverse stock split; and
3. FOR ratification on an advisory basis of the appointment of Larson & Rosenberger as our independent registered public accounting firm for the fiscal year ending June 30, 2013.

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.

Vote Required for Approval

A plurality of the shares voting at the Annual Meeting is required to elect directors. This means that the five nominees receiving the highest number of affirmative votes of the shares entitled to be voted for them will be elected. In counting votes on the election of directors, abstentions, broker non-votes (i.e. shares held of record by a broker which are not voted because the broker has not received voting instructions from the beneficial owner of the shares and either lacks or declines to exercise authority to vote the shares in its discretion) and other shares not voted will be counted as not voted. These shares will be deducted from the total shares of which a plurality is required.

All other proposals presented in this Proxy Statement will be approved if a majority of the shares present or represented by proxy and voting at the Annual Meeting are cast in favor of the proposals. In counting votes on each such matter, abstentions will not be counted as voted for the matter and broker non-votes will be counted as not voted for the matter.

Quorum

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the outstanding shares of common stock entitled to vote at the meeting is required for a quorum for the transaction of business. In general, shares of common stock represented by a properly signed and returned proxy card will be counted as shares present and entitled to vote at the meeting for purposes of determining a quorum. Abstentions 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. Inasmuch as street name holders will have discretionary voting rights with respect to routine Proposal Three, ratification of our independent registered public accounting firm, broker non-votes will also be counted as “represented” for the purpose of determining the presence or absence of a quorum.

Voting

As an alternative to voting in person at the Annual Meeting, or voting by telephone, those shareholders who receive a paper proxy card and voting instructions by mail, and who elect to vote by mail, should sign and return the mailed proxy card in the pre-addressed envelope that will be enclosed with the proxy card, and your shares will be voted at the Annual Meeting in the manner you direct.

If your shares are registered in the name of a bank or brokerage firm or other nominee (your record holder), you will receive instructions from your record holder that must be followed in order for your record holder to vote your shares per your instructions. Many banks and brokerage firms have a process for their beneficial holders to provide instructions via the Internet or over the telephone. If you hold shares through a bank or brokerage firm and wish to be able to vote in person at the Annual Meeting, you must obtain a legal proxy from your brokerage firm, bank or other holder of record and present it to the inspector of elections with your ballot.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting

Under SEC rules, this Proxy Statement, the form of proxy card, and our 2012 Annual Report to shareholders are available on the Internet. These materials are available at:

<http://corp.dynatronics.com/assets/annualReports/2012.pdf>

<http://corp.dynatronics.com/assets/ProxyStatement.pdf>

<http://corp.dynatronics.com/assets/ProxyCard.pdf>

PROXY SOLICITATION

We are soliciting proxies from our shareholders for use by our Board of Directors at our Annual Meeting. We will pay the cost of solicitation of proxies from our shareholders, including preparation, assembly, printing and mailing of this Proxy Statement and the proxy cards. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of our common stock beneficially owned by others to forward to such beneficial owners. We may reimburse persons representing beneficial owners of our common stock for their costs of forwarding solicitation materials to such beneficial owners. In addition to solicitation by use of the mail, proxies may be solicited by our management (including our Board of Directors, officers and employees), in person or by telephone, electronic mail, or other means of communication. No additional compensation for soliciting proxies will be paid to Company management or employees for such services.

DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Listed below are the Company's five directors, each of whom is nominated for re-election at the Annual Meeting. Each of the directors elected at the Annual Meeting will serve a one-year term expiring at the next annual meeting of shareholders. At the Annual Meeting, proxies cannot be voted for a greater number of individuals than the five nominees named in this Proxy Statement.

The Board comprises a diverse group of experienced leaders in their respective fields. Many of the current directors currently hold or have held senior leadership positions in domestic and international companies. Each of them has also served for several years on our Board of Directors, gaining deep insight into our operations and our industry. In these positions, they have also gained significant and diverse management experience, including strategic and financial planning, public company financial reporting, compliance, risk management and leadership development. Several of the directors also have experience serving as executive officers, or on boards of directors and board committees of other public companies, and have an understanding of corporate governance practices and trends. The following

information describes the skills, qualities, attributes and experience of each of the nominees that led the Board to determine that it is appropriate to nominate these directors.

<p>Kelvyn H. Cullimore, Jr. Chairman, Chief Executive Officer and President Age 56 Director since 1983</p>	<p>Mr. Cullimore has been our Chairman since January 2005 and President and Chief Executive Officer since 1992. He served as our Secretary/Treasurer from 1983 to 1992 and as Administrative Vice President from 1988 to 1992. Mr. Cullimore graduated cum laude from Brigham Young University in 1980 with a bachelor's degree in Financial and Estate Planning. In addition to his involvement with Dynatronics, Mr. Cullimore served as Executive Vice President and a director of our former parent company. Mr. Cullimore has served previously on the board of directors of a printing company, lumber company, theater and restaurant company and travel agency. Mr. Cullimore is a member of the board of the Medical Device Manufacturers 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.</p>
<p>Larry K. Beardall Executive Vice President of Sales and Marketing Age 56 Director since 1986</p>	<p>Mr. Beardall was appointed as our Executive Vice President in December 1992. He has been a director and the Vice President of Sales and Marketing since July 1986. Mr. Beardall joined Dynatronics in February 1986 as Director of Marketing. He graduated from Brigham Young University with a bachelor's 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.</p>
<p>Howard L. Edwards* Director Age 81 Director since 1997</p>	<p>Since 1987, Mr. Edwards has served on the National Advisory Council of Dixie State College and from 1974 to 1983 he served on the Alumni Board of Brigham Young University. From 1970 until 1996, Mr. Edwards served on the board of directors of Lerch Bates and Associates. 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. Mr. Edwards graduated from the George Washington University School of Law and holds a bachelor's degree in Finance and Banking from Brigham Young University.</p>
<p>Val J. Christensen* Lead Independent Director Age 59 Director since 1999</p>	<p>Since June 2012, Mr. Christensen has been providing consulting services to EnergySolutions, Inc. (NYSE: ES). From 2008 to 2012, Mr. Christensen served as the President of EnergySolutions, Inc. Prior to that appointment, Mr. Christensen served as Executive Vice President and General Counsel and Corporate Secretary of EnergySolutions, Inc. from May 2006 to December 2008. From 1989 to 2006, Mr. Christensen served in various executive positions at Franklin Covey Co. (NYSE: FC), a global consulting and training company, eventually as Executive Vice President, General Counsel and Secretary, as well as being a director. He received a B.A and J.D. from Brigham Young University.</p>
<p>Joseph H. Barton* Director Age 84 Director since 2004</p>	<p>Since 2000, Mr. Barton has served on the board of directors of ECONOVA Corporation. Mr. Barton previously served on the Board of Directors from 1996 to 2002. He 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. Mr. Barton also served as Senior Vice President of GranCare, Inc. from 1989 to 1994. He received a Civil Engineering degree from the University of California at Berkeley.</p>

* Denotes member of the Audit and Compensation Committees of our Board of Directors.

Independence

We continue to monitor the rules and regulations of the SEC and the NASDAQ Stock Market to ensure that a majority of our Board of Directors remain “independent” directors. Our Board of Directors has determined, after considering all of the relevant facts and circumstances, that each of Mr. Edwards, Mr. Christensen and Mr. Barton is independent within the meaning of the applicable NASDAQ Marketplace Rules. This means that the Board of Directors has determined that those directors (1) are not officers or employees of Dynatronics or its subsidiary and (2) have no direct or indirect relationship with Dynatronics 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 we have a majority of independent directors as required by the NASDAQ Marketplace Rules.

Committees

Our Board of Directors has two standing committees: the Compensation Committee and the Audit Committee, each comprised solely of independent directors. The Board of Directors 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.

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 constituted the Compensation Committee for the fiscal year ended June 30, 2012 and continue to function as such as of the date of this report: Val J. Christensen (committee chairman), Howard L. Edwards and Joseph H. Barton. The Compensation Committee held two meetings during fiscal year 2012. All members of the committee attended at least 75% of all meetings of the Compensation Committee.

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 (“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 SEC. In addition, the Board has determined 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 charter approved by the Board of Directors and the Audit Committee, that reflects standards and requirements adopted by the SEC and the NASDAQ Stock Market. 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 2012. Each member of the Audit Committee attended at least 75% of the Audit Committee’s meetings.

According to its charter, the Audit Committee’s duties include selecting and engaging our 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 its 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 fiscal year 2012. No director attended fewer than 75% of all meetings of the Board of Directors during the fiscal year.

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. During the year ended June 30, 2012, the independent directors met in executive session on one occasion, with each independent director in attendance.

Board Leadership Structure and Role in Risk Oversight

Currently, Kelvyn H. Cullimore, Jr. serves as our Chairman of the Board of Directors, and as Chief Executive Officer. The Company does not have a formal policy with respect to separation of the offices of Chairman of the Board and Chief Executive Officer, and the Board of Directors believes that flexibility in appointing the Chairman of the Board and Chief Executive Officer allows the Board of Directors to make a determination as to such positions from time to time and in a manner that it believes is in the best interest of the Company and its shareholders.

The Board of Directors believes that the traditional practice of combining the roles of Chairman of the Board and Chief Executive Officer currently provides the preferred form of leadership for the Company. Given Mr. Cullimore's long tenure and vast experience with the Company, the tremendous respect which he has earned from employees, business partners and shareholders, as well as other members of the medical device manufacturers industry, and his proven leadership skills, the Board of Directors believes the best interests of the Company's shareholders are met by Mr. Cullimore's continued service in both capacities. The Board of Directors also believes that Mr. Cullimore's fulfillment of both responsibilities encourages clear accountability and effective decision-making, and provides strong leadership for the Company's employees and other stakeholders.

Given the experience and qualifications the Company's directors contribute to the Board's activities, the Company has implemented a number of practices designed to encourage effective corporate governance. These practices include:

- the requirement that at least a majority of the Company's directors meet the standards of independence applicable to the Company;
- the appointment of Val J. Christensen as lead independent director, who is empowered to schedule and conduct meetings of the independent directors, communicate with the Chairman of the Board, disseminate information to the Board and raise issues with management on behalf of the independent directors when appropriate;
- executive sessions of the independent members of the Board of Directors and committee meetings which include individual sessions with representatives of the Company's independent registered public accounting firm, as well as the Company's CFO and CEO; and
- performance evaluations of the Company's CEO by the Compensation Committee.

The Company's management is primarily responsible to manage risk and inform the Board of Directors regarding the most material risks confronting the Company. The Board of Directors has oversight responsibility of the processes established to monitor and manage such risks. The Board of Directors believes that such oversight function is the responsibility of the entire Board of Directors through frequent reports and discussions at regularly scheduled Board meetings. In addition, the Board has delegated specific risk management oversight responsibility to the Audit Committee and to the independent members of the Board of Directors. In particular, the Audit Committee oversees management of risks related to accounting, auditing and financial reporting and maintaining effective internal controls for financial reporting. The independent members of the Board of Directors oversee risk management related to the Company's corporate governance practices and the Company's executive compensation plans and arrangements. These specific risk categories and the Company's risk management practices are reviewed by the entire Board of Directors in the ordinary course of regular Board meetings.

Communications with the Board of Directors

Shareholders may communicate directly with our Board of Directors by writing to them at Board of Directors, c/o Vice President of Administration, Dynatronics Corporation, 7030 Park Centre Drive, Cottonwood Heights, Utah 84121. All communications received in this manner will be opened by the Secretary of the Company for the sole purpose of determining whether the contents represent a message to our directors; after which they will be forwarded

to the director or directors to whom addressed, except for communications that are (1) advertisements, promotions of a product or service, patently offensive material or matters deemed inappropriate for the Board of Directors, (2) solely related to complaints with respect to ordinary course of business customer service and satisfaction issues, or (3) clearly unrelated to our business, industry, management, Board of Directors, or related committee matters.

Code of Conduct and Ethics

We have established a Code of Business Ethics that applies to our officers, directors and employees. The Code of Business Ethics contains general guidelines for conducting our business 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, our 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 our website at www.dynatronics.com, in the “Company Information, Investor Relations, Company Policies” section. A copy may also be obtained by writing to the Vice President of Administration, Dynatronics Corporation, 7030 Park Centre Drive, Cottonwood Heights, Utah 84121.

Compensation Committee Interlocks and Insider Participation

No member of our Board of Directors is employed by us except for Mr. Cullimore, Jr., who is employed as our President and Chief Executive Officer, and Mr. Beardall, who is employed as our Executive Vice President. None of our executive officers serves on the board of directors of another entity whose executive officers serve on the Compensation Committee of our Board of Directors. No officer or employee of Dynatronics participated in deliberations of our Compensation Committee concerning executive officer compensation.

Director Compensation 2012

Non-employee, non-executive directors are paid an annual fee of \$14,000. In addition, independent directors receive \$1,000 annually for participating on each board committee and receive \$2,000 in restricted stock awards. The Chairman of the Audit Committee receives an additional \$2,000 for serving as the Committee Chairman and “financial expert.” Our directors are reimbursed for their out-of-pocket expenses related to their services as directors or attendance at Board of Directors and committee meetings.

The following table summarizes the compensation paid during fiscal year 2012 to our non-employee directors.

Director Compensation							
Name	Fees		Option awards	Non-equity	Nonqualified	All other	Total
	earned or paid in cash	Stock awards		incentive plan compensation	deferred compensation earnings		
(a)	(b)	(c)	(d)	(\$)(e)	(\$)(f)	(\$)(g)	(\$)(h)
Howard L. Edwards	\$18,000	\$2,000	-	-	-	-	\$20,000
Val J. Christensen	\$16,000	\$2,000	-	-	-	-	\$18,000
Joseph H. Barton	\$16,000	\$2,000	-	-	-	-	\$18,000

Family Relationships

None of the directors or executive officers is related by blood, marriage or adoption.

Executive Officers

The following table sets forth data concerning our executive officers. Information regarding Mr. Cullimore and Mr. Beardall, each of whom is also a member of our Board of Directors, may be found in the section entitled "Directors."

Name	Age	Officer Since	Position with Company
Kelvyn H. Cullimore, Jr.	56	1983	President, and CEO
Larry K. Beardall	56	1986	Executive Vice President of Sales and Marketing
Douglas G. Sampson	58	2009	Vice President of Production and R&D
Terry M. Atkinson, CPA, CGMA	59	2005	Chief Financial Officer
Robert J. Cardon	49	1992	Vice President of Administration, Secretary & Treasurer
Bryan D. Alsop	49	2011	Vice President of Information Technology

Douglas G. Sampson was appointed Vice President of Production and Research and Development in September 2009. Prior to joining Dynatronics, Mr. Sampson worked for Philips for 29 years. His positions included executive and management responsibilities in various Philips subsidiaries in Asia and the United States. From 2002 to 2007, he was Country Manager and Managing Director of NXP Semiconductor, Philips Semiconductor Thailand, where he was primarily responsible for all aspects of the manufacturing and sales operations of that subsidiary. Most recently, from 2007 to 2008, he served as Vice President of Outsourced Manufacturing for Fairchild Semiconductors in Singapore. Mr. Sampson earned a Master of Business Administration degree from the University of New Mexico, Anderson School of Management. He also holds a Bachelor's of Science degree in electronics engineering technology from Brigham Young University, and an Associate's Degree in electronics engineering technology from Brigham Young University Idaho (formerly Ricks College).

Terry M. Atkinson was appointed Chief Financial Officer in January 2005. He previously served as our Controller from 1994 to 2004. Prior to joining Dynatronics, 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 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 our Corporate Secretary since 1992 and was named Treasurer in 2004. From 1992 until 2005, Mr. Cardon also served as Secretary/Treasurer of ITEC Attractions, Inc., which owns Branson’s IMAX Entertainment Complex in Branson, MO. From 1987 to 1988, Mr. Cardon was employed as a registered representative of Stuart-James Investment Bankers. He received his Bachelor of Arts degree in 1987 and his Master of Business Administration degree in 1990, both from Brigham Young University.

Bryan D. Alsop was appointed Vice President of Information Technology in July 2011. He served as a consultant to Dynatronics in early 2009 and joined the Company later that year as the director of information technology. From 2000 to 2008, Mr. Alsop served as director of information technology at Bear River Mutual Insurance, where he was responsible for all aspects of the IT department as a member of the executive management team. Previously, he worked for such companies as Aetna Healthcare, McKesson, ITT Defense, Evans & Sutherland, and Sony Pictures Entertainment. He received his Bachelor of Arts degree in 1991 from California State University – Northridge.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Voting Securities and Principal Shareholders

The following tables contain information as of October 20, 2012 (the “Table Date”) 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 based solely on the Company’s review of SEC filings, (2) each director, (3) each Named Executive Officer in the Summary Compensation Table of this Proxy Statement holding office on the Table Date, and (4) all executive officers and directors as a group. As of the Table Date, 12,688,650 shares of the Company’s common stock were issued and outstanding. Unless noted otherwise, we believe each person named below has sole voting and investment power with respect to the shares indicated. In addition, unless otherwise indicated, the address of the shareholder is the address of our principal executive office, 7030 Park Centre Drive, Cottonwood Heights, Utah 84121.

Security Ownership of Holders of More than 5% of Voting Securities

Name of Beneficial Owner	Number of Shares(1)	Percent of Class
John Rajala/Rajala Family Trust 12 Red Maple Place Danville, CA 94506	1,154,938(2)	9.1 %
Donald G. Whittington 3707 Spring Hill Lane Sugarland, TX 77479	818,000	6.4 %
Stephen Cyman 50760 Metzen Dr. Chesterfield, MI 48051	777,536	6.1 %

(1) Beneficial ownership is determined in accordance with the rules of the SEC. 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 at the Table Date or within 60 days thereafter. Such shares, however, are not deemed outstanding for purposes of computing the percentage ownership of any other person.

(2) Includes 1,154,938 shares owned by a family trust.

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Security Ownership of Management

Name of Beneficial Owner	Number of Shares(1)	Percent of Class
Directors & Exec. Officers		
Kelvyn H. Cullimore, Jr.	1,045,780(2)	8.2 %
Larry K. Beardall	440,588 (3)	3.5 %
Howard L. Edwards	122,068 (4)	1.0 %
Joseph H. Barton	66,068 (5)	*
Val J. Christensen	57,068 (6)	*
Other Executive Officers		
Douglas G. Sampson	-	*
Robert J. Cardon	93,500 (7)	*
Terry M. Atkinson	50,000 (8)	*
Bryan D. Alsop	-	*
All executive officers and directors as a group (9 persons)	1,874,527	14.4 %

* Represents less than one percent of the issued and outstanding shares of common stock as of the Table Date.

- (1) Beneficial ownership is determined in accordance with the rules of the SEC. 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 the Table Date. Such shares, however, are not deemed outstanding for purposes of computing the percentage ownership of any other person.
- (2) Includes 525,280 shares owned directly, 400,000 shares of restricted common stock that vest at 40,000 shares annually beginning on March 1, 2013 for 10 years, 50,000 shares owned by Mr. Cullimore's wife, and options for the purchase of 70,000 shares.
- (3) Includes 175,588 shares owned directly, 200,000 shares of restricted common stock that vest at 20,000 shares annually beginning on March 1, 2012 for ten years, and options for the purchase of 65,000 shares.
- (4) Includes 98,068 shares owned directly and options for the purchase of 24,000 shares.
- (5) Includes 39,068 shares owned directly and options for the purchase of 27,000 shares.
- (6) Includes 36,068 shares owned directly and options for the purchase of 21,000 shares.
- (7) Includes 43,500 shares owned directly and options for the purchase of 50,000 shares.
- (8) Includes 10,000 shares owned directly and options for the purchase of 40,000 shares.

