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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): November 15, 2010

ELECTROMED, INC.

(Exact Name of Registrant as Specified in Its Charter)

Minnesota
(State or Other Jurisdiction of Incorporation)

001-34839
(Commission File Number)

41-1732920
(I.R.S. Employer Identification Number)

500 Sixth Avenue NW
New Prague, MN 56071
(Address of Principal Executive Offices)(Zip Code)

(952) 758-9299
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 8.01 Other Events

On November 15, 2010, the Company issued a press release and mailed a letter to shareholders of record and non-objecting beneficial owners to communicate its financial results and operational highlights for the fiscal quarter ended September 30, 2010. The press release and quarterly letter are attached hereto as Exhibits 99.1 and 99.2, respectively.

Item 9.01 Financial Statements and Exhibits

- (a) Financial statements: None.
 - (b) Pro forma financial information: None.
 - (c) Shell company transactions: None.
 - (d) Exhibits:
 - 99.1 Press Release dated November 15, 2010
 - 99.2 Quarterly Letter to Shareholders dated November 15, 2010
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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 hereunto duly authorized.

Date: November 15, 2010

Electromed, Inc.

By /s/ Terry M. Belford

Name: Terry M. Belford

Title: Chief Financial Officer

EXHIBIT INDEX

Electromed, Inc.
Form 8-K Current Report

Exhibit Number	Description
99.1	Press Release dated November 15, 2010
99.2	Quarterly Letter to Shareholders dated November 15, 2010

ELECTROMED, INC.

Creating superior care through innovation®

FOR IMMEDIATE RELEASE

Contact:

Robert D. Hansen
Chairman and Chief Executive Officer
Electromed, Inc.
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Pankti Shah
Director of Strategic Marketing
The Event Group, Incorporated
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pankti.shah@eventshows.com

ELECTROMED, INC. REPORTS 2011 FIRST QUARTER RESULTS *29% Increase in First Quarter Revenue Compared to Prior Year*

New Prague, Minnesota – November 15, 2010 – Electromed, Inc. (NASDAQ: ELMD) today announced financial results for the three months ended September 30, 2010. Net revenues for the three months ended September 30, 2010 were approximately \$4,165,000, a 29% increase compared to net revenues of approximately \$3,228,000 for the same period last year. The Company also announced for the three months ended September 30, 2010 net income of approximately \$112,000, or \$0.02 per basic and diluted share. These results represent a decrease over the reported net income of \$335,737, or \$0.06 and \$0.05 per basic and diluted share, respectively, for the same period last year. The reduction primarily resulted from increases in expenses designed to develop, support, and maintain a higher sales level.

Gross profit increased to approximately \$3,003,000, or 72.1% of net revenues, for the three months ended September 30, 2010, from approximately \$2,501,000, or 77.5% of net revenues in the three month period ended September 30, 2009. The increase in gross profit dollars resulted primarily from the increase in sales volume. The decrease in gross profit percentage was primarily the result of lower than average reimbursement from the mix of referrals during the three month period. Factors such as diagnoses which are not assured of reimbursement and insurance programs with lower allowable reimbursement amounts (for example, state Medicaid programs) affect average reimbursement received on a short-term basis and tend to fluctuate on a quarterly basis. The Company's management does not believe the results of the quarter ended September 30, 2010 are indicative of a long-term decrease in margins.

Operating expenses for the three month period ended September 30, 2010 increased by approximately \$875,400, to \$2,756,000, compared to the same period last year. These planned increases resulted from higher payroll and compensation-related expenses related to adding employees to support sales and marketing initiatives, patient training costs related to a higher sales volume, and trade show expenses related to the Company's Annual Sales Meeting occurring in the first quarter of fiscal 2011, compared to the second quarter of fiscal 2010. Additionally, the Company continued to focus on research and development efforts, resulting in research and development expenses of approximately \$198,000 in the first quarter of fiscal 2011 compared to approximately \$115,000 for the same period last year.

Total cash increased to approximately \$6,016,000 as of September 30, 2010. For the three months ended September 30, 2010, cash provided by financing activities was approximately \$5,760,000, consisting of approximately \$7,600,000 gross proceeds from the issuance of common stock in the Company's initial public offering, offset by approximately \$1,230,000 of offering expenses incurred during the fiscal quarter, payments on the Company's revolving credit line of \$500,000, and principal payments on long-term debt of approximately \$105,000. An aggregate of \$294,000 was used for investing activities during the first fiscal quarter, including \$196,000 relating to defense of the SmartVest® trademark and \$98,000 for the purchase of property and equipment. On September 30, 2010, the Company reached a confidential settlement in a trademark infringement lawsuit brought against it by Hill-Rom Services, Inc., Advanced Respiratory, Inc., Hill-Rom Company, Inc., and Hill-Rom Services Pte. Ltd. (collectively, "Hill-Rom"), regarding the Company's use of the term "SmartVest®." The terms of the settlement agreement are confidential. The Company has no plans to change its marks. The company expects that the settlement will result in a decrease in expenses relating to litigation defense.

About Electromed, Inc.

Electromed, Inc., founded in 1992 and headquartered in New Prague, Minnesota, manufactures, markets, and sells products that provide airway clearance therapy, including the SmartVest® Airway Clearance System and related products, to patients with compromised pulmonary function. Further information about the Company can be found at www.Electromed.com.

Cautionary Statements

Certain statements found in this release may constitute forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect the speaker's current views with respect to future events and financial performance and include any statement that does not directly relate to a current or historical fact. The forward-looking statements in this release include the company's expectations relating to gross margins, litigation expense and continued use of the SmartVest® mark, and can generally otherwise be identified by the words "believe," "expect,"

“anticipate” or “intend” or similar words. Forward-looking statements cannot be guaranteed and actual results may vary materially due to the uncertainties and risks, known and unknown, associated with such statements. Examples of risks and uncertainties for Electromed include, but are not limited to, the impact of emerging and existing competitors, the effectiveness of our sales and marketing initiatives, our ability to successfully implement our marketing and sales strategies, the risk that we may be party to infringement actions in the future (although at this time we are not aware of any undisclosed actual or threatened litigation that would have a material adverse effect on our financial condition or results of operations), as well as other factors described from time to time in our reports to the Securities and Exchange Commission (including our Annual Report on Form 10-K). Investors should not consider any list of such factors to be an exhaustive statement of all of the risks, uncertainties or potentially inaccurate assumptions investors should take into account when making investment decisions. Shareholders and other readers should not place undue reliance on “forward-looking statements,” as such statements speak only as of the date of this release.

Financial Tables Follow:

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Electromed, Inc. and Subsidiary
Condensed Consolidated Balance Sheets

	<u>September 30</u> <u>2010</u>	<u>June 30</u> <u>2010</u>
	(Unaudited)	
Assets		
Current Assets		
Cash and cash equivalents	\$ 6,015,773	\$ 610,727
Accounts receivable (net of allowances for doubtful accounts of \$45,000)	7,047,718	6,577,002
Inventories	1,435,045	1,470,775
Prepaid expenses and other current assets	338,794	269,193
Deferred income taxes	514,000	514,000
Total current assets	<u>15,351,330</u>	<u>9,441,697</u>
Property and equipment, net	2,733,898	2,688,941
Finite-life intangible assets, net	1,305,293	1,055,776
Deferred common stock offering costs	—	828,034
Other assets	146,673	128,789
Total assets	<u>\$ 19,537,194</u>	<u>\$ 14,143,237</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Revolving line of credit	\$ 1,268,128	\$ 1,768,128
Current maturities of long-term debt	400,111	397,886
Accounts payable	930,921	1,239,827
Accrued compensation	676,212	665,083
Warranty reserve	389,754	363,277
Other accrued liabilities	185,357	60,308
Income tax payable	52,291	7,789
Total current liabilities	<u>3,902,774</u>	<u>4,502,298</u>
Long-term debt, less current maturities	1,925,673	2,033,325
Deferred income taxes	145,000	145,000
Total liabilities	<u>5,973,447</u>	<u>6,680,623</u>
Commitments and Contingencies		
Stockholders' Equity		
Electromed, Inc. stockholders' equity:		
Common stock, \$0.01 par value; authorized: 10,000,000 shares; issued and outstanding: 8,087,885 and 6,187,885 shares, respectively	80,879	61,879
Additional paid-in capital	12,655,425	6,685,362
Retained earnings	909,943	797,873
Common stock subscriptions receivable for shares outstanding of 48,500	(82,500)	(82,500)
Total stockholders' equity	<u>13,563,747</u>	<u>7,462,614</u>
Total liabilities and stockholders' equity	<u>\$ 19,537,194</u>	<u>\$ 14,143,237</u>

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Electromed, Inc. and Subsidiary
Condensed Consolidated Statements of Income (Unaudited)

	For the Three Months Ended September 30,	
	2010	2009
Net revenues	\$ 4,165,429	\$ 3,228,120
Cost of revenues	<u>1,161,947</u>	<u>727,100</u>
Gross profit	<u>3,003,482</u>	<u>2,501,020</u>
Operating expenses		
Selling, general and administrative	2,557,338	1,764,858
Research and development	<u>198,386</u>	<u>115,466</u>
Total operating expenses	<u>2,755,724</u>	<u>1,880,324</u>
Operating income	247,758	620,696
Interest expense, net of interest income of \$1,971 and \$1,196 respectively	<u>59,688</u>	<u>67,440</u>
Net income before income taxes	188,070	553,256
Income tax expense	<u>(76,000)</u>	<u>(211,000)</u>
Net income	112,070	342,256
Less: Net income attributable to noncontrolling interest	<u>—</u>	<u>(6,519)</u>
Net income attributable to Electromed, Inc.	<u>\$ 112,070</u>	<u>\$ 335,737</u>
Earnings per share attributable to Electromed, Inc. common shareholders:		
Basic	<u>\$ 0.02</u>	<u>\$ 0.06</u>
Diluted	<u>\$ 0.02</u>	<u>\$ 0.05</u>
Weighted-average Electromed, Inc. common shares outstanding:		
Basic	<u>6,986,798</u>	<u>6,057,883</u>
Diluted	<u>7,002,904</u>	<u>6,116,489</u>

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Electromed, Inc. and Subsidiary
Condensed Consolidated Statements of Cash Flows (Unaudited)

	For the Three Months Ended September 30,	
	2010	2009
Cash Flows From Operating Activities		
Net income	\$ 112,070	\$ 342,256
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	78,684	79,241
Amortization of finite-life intangible assets	25,721	4,832
Amortization of debt issuance costs	13,408	2,504
Share-based compensation expense	42,900	39,173
Deferred income taxes	—	(78,000)
Loss on disposal of property and equipment	2,385	1,302
Issuance of common stock for payment of services	—	22,500
Changes in operating assets and liabilities:		
Accounts receivable	(470,716)	(253,459)
Inventories	35,730	(129,979)
Prepaid expenses and other assets	(96,234)	(63,948)
Accounts payable and accrued liabilities	194,943	89,198
Net cash provided by (used in) operating activities	(61,109)	55,620
Cash Flows From Investing Activities		
Expenditures for property and equipment	(97,544)	(25,138)
Expenditures for finite-life intangible assets	(196,332)	—
Net cash used in investing activities	(293,876)	(25,138)
Cash Flows From Financing Activities		
Payments on revolving line of credit	(500,000)	—
Principal payments on long-term debt including capital lease obligations	(105,428)	(99,459)
Payments of deferred financing fees	(4,659)	—
Proceeds from sales of 1.9 million shares of common stock, net of offering costs of \$1,229,882	6,370,118	—
Proceeds from warrant exercises	—	49,333
Proceeds from subscription notes receivable	—	7,500
Net cash provided by (used in) financing activities	5,760,031	(42,626)
Net increase (decrease) in cash and cash equivalents	5,405,046	(12,144)
Cash and cash equivalents		
Beginning of period	610,727	361,916
End of period	<u>\$ 6,015,773</u>	<u>\$ 349,772</u>

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ELECTROMED, INC.

Creating superior care through innovation®

First Quarter FY2011 (Ended September 30, 2010)

Dear
Shareholders,

Letter to Shareholders

Robert D. Hansen
Chairman and Chief Executive Officer
November 15, 2010



We recently announced our results for the first quarter of the 2011 fiscal year, which ended September 30, 2010. *For a full description of our results for the quarter, please refer to the financial statements and notes to the financial statements in our Quarterly Report on Form 10-Q, which can be accessed at the SEC's website (www.sec.gov).*

During Q1 FY2011, sales advanced 29%, rising from \$3,228,120 in the comparable prior year period to \$4,165,429 in the latest period. The Company remained profitable, generating approximately \$112,000 of after-tax profits. Net income for the comparable prior year period was approximately \$336,000. The reduction resulted from a deliberate plan by management to increase investment in sales staff, R&D, and the company's ability to support and maintain a higher level of sales. Sales staff also conducted its Annual Sales Meeting in Q1 FY2011 rather than Q2 FY2011, transferring these expenses into the first quarter rather than the second quarter as practiced in prior years.

The Q1 FY2011 gross margin was 72%. During the comparable period in the prior year, the gross margin was 77%. This variation reflects shifts in the mix of patient prescriptions received, which in turn impacts the average reimbursement received on a short-term basis.

Of particular importance to the Company and its shareholders are the advancements now evident in the balance sheet. The successful completion of our IPO during mid-August resulted in the sale of 1,900,000 shares of the company's common stock at \$4.00 per share. This figure includes the purchase of an over-allotment of 200,000 shares by the underwriter, Feltl and Company, Inc.

Total shareholder equity rose 82% from June 30, 2010 to September 30, 2010, increasing from \$7,462,614 to \$13,563,747. The current ratio of Total Current Assets to Total Current Liabilities is now nearly 4:1. The Company's total assets are approaching \$20,000,000. Management is well positioned and determined to maintain the company's pattern of strong growth.

On September 30, 2010 the Company reached a confidential settlement of litigation with several subsidiaries of its major competitor, Hill-Rom Holdings, Inc., involving Electromed's use of its "SmartVest®" mark. Electromed has no plans to change its use of the SmartVest® mark following the settlement. We are pleased to have reached a settlement because it alleviates litigation expenses and will allow management to direct even greater attention to implementation of our growth strategy.

The Company, pursuant to its plans, continues to seek to strengthen its financial position and to remain a leader in creating and manufacturing High Frequency Chest Wall Oscillation (HFCWO) therapy products for sale in the United States and overseas markets.

At the Company's Annual Meeting of Shareholders, held on November 5, 2010, the shareholders voted to increase the number of Board members from five to seven. The shareholders elected Mr. Steve Craney of Winona, Minnesota and Mr. Darrel Kloeckner of Marine-on-St. Croix, Minnesota to fill the new directorships. Their presence and participation will add a new level of experience and judgment, which are welcomed and valued. The shareholders also voted to increase the number of shares of authorized stock to 15,000,000 shares authorized with 2,000,000 shares of that total undesignated, as presented in the proxy statement filed with the SEC and mailed to shareholders.

Despite challenging conditions in the economy, within health care, and in Washington, D.C., your Company has continued to maintain growth and profitability. This is a tribute to your patience and encouragement as shareholders. Be confident that your Board, management, and employees of this Company appreciate your support. We will continue to seek to earn your trust and appreciation through dedicated efforts to attain strong financial performance.

Sincerely,



Robert D. Hansen
Chairman and Chief Executive Officer
November 15, 2010

CAUTIONARY STATEMENTS

Certain statements found in this letter may constitute forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect the speaker's current views with respect to future events and financial performance and include any statement that does not directly relate to a current or historical fact. Our forward-looking statements in this release relate to our future financial performance and position, product innovation, and our competitive position. Forward-looking statements cannot be guaranteed and actual results may vary materially due to the uncertainties and risks, known and unknown, associated with such statements. Examples of risks and uncertainties for Electromed include the competitive nature of our market, changes to Medicare, Medicaid, or private insurance reimbursement policies, changes to health care laws, changes affecting the medical device industry, our need to maintain regulatory compliance and to gain future regulatory approvals and clearances, our ability to protect our intellectual property, the effect of litigation, including legal expenses, that may arise with respect to our intellectual property in the ordinary course of business or otherwise, and general economic and business conditions, as well as other factors described from time to time in our reports to the Securities and Exchange Commission (including our Annual Report on Form 10-K). Investors should not consider any list of such factors to be an exhaustive statement of all of the risks, uncertainties or potentially inaccurate assumptions investors should take into account when making investment decisions. Shareholders and other readers should not place undue reliance on "forward-looking statements," as such statements speak only as of the date of this release. We do not intend to update publicly or revise any forward-looking statements.

**ELECTROMED, INC. & SUBSIDIARY CONSOLIDATED
BALANCE SHEETS**

	Sept. 30, 2010 (Unaudited)	June 30, 2010
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Current Assets		
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Long-term debt, less current maturities	1,925,673	2,033,325
Deferred income taxes	145,000	145,000
Total liabilities	5,973,447	6,680,623
Commitments and Contingencies (Note 7 to condensed consolidated financial statements in form 10-Q for the quarter ended September 30, 2010)		
Stockholder's Equity		
Electromed, Inc. stockholders' equity:		
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Total stockholders' equity	13,563,747	7,462,614
Total liabilities and stockholders' equity	\$ 19,537,194	\$ 14,143,237

**ELECTROMED, INC. & SUBSIDIARY CONSOLIDATED
STATEMENTS OF INCOME (UNAUDITED)**

	For the Three Months Ended September 30,	
	<u>2010</u>	<u>2009</u>
Net Revenues	\$ 4,165,429	\$ 3,228,120
Cost of revenues	1,161,947	727,100
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Basic	<u>\$0.02</u>	<u>\$0.06</u>
Diluted	<u>\$0.02</u>	<u>\$0.05</u>
Weighted-average Electromed, Inc. common shares outstanding		
Basic	<u>6,986,798</u>	<u>6,057,883</u>
Diluted	<u>7,002,904</u>	<u>6,116,489</u>