
**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): February 11, 2014

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 2.02 Results of Operations and Financial Condition

On February 11, 2014, Electromed, Inc. (the “Company”) issued a press release announcing its financial results for the three and six months ended December 31, 2013. The full text of the press release is set forth in Exhibit 99.1 attached hereto and is incorporated by reference in this Current Report on Form 8-K as if fully set forth herein.

The information contained in this Current Report on Form 8-K, including the Exhibit 99.1 attached hereto and incorporated herein, shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section, and shall not be incorporated by reference into any registration statement pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 8.01 Other Events

On February 11, 2014, the Company mailed a letter from its chief executive officer to the Company’s shareholders, dated February 11, 2014, updating the Company’s shareholders on recent Company developments. The full text of the shareholder letter is set forth in Exhibit 99.2 attached hereto and is incorporated by reference in this Current Report on Form 8-K as if fully set forth herein.

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 February 11, 2014.
 - 99.2 Shareholder Letter dated February 11, 2014.
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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: February 11, 2014

Electromed, Inc.

By: /s/ Jeremy T. Brock

Name: Jeremy T. Brock

Title: Chief Financial Officer

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Washington, D.C. 20549

ELECTROMED, INC.
EXHIBIT INDEX TO FORM 8-K

Date of Report:
February 11, 2014

Commission File No.:
001-34839

Exhibit Number	Description
99.1	Press Release dated February 11, 2014.
99.2	Shareholder Letter dated February 11, 2014.

ELECTROMED, INC.

FOR IMMEDIATE RELEASE

Contact

Kathleen Skarvan
Chief Executive Officer
Electromed, Inc.
952-758-9299
kskarvan@electromed.com

ELECTROMED, INC. REPORTS FISCAL YEAR 2014 SECOND QUARTER RESULTS

New Prague, Minnesota – February 11, 2014 - Electromed, Inc. (NYSE MKT: ELMD) today announced financial results for the Company's second quarter of fiscal 2014.

Net revenues in the quarter were approximately \$3.50 million, a 9% decrease compared to \$3.86 million in the same period of fiscal 2013. The Company reported a net loss of approximately \$0.2 million, or three cents per basic and diluted share, for the second quarter of fiscal 2014, compared to a net loss of approximately \$0.4 million, or five cents per basic and diluted share, for the same period of fiscal 2013.

The modest decline in total revenues in the second quarter of fiscal 2014 was attributable to lower average prices received from health care insurers due to their increased focus on controlling health care costs as well as more rigorous scrutiny by insurers of reimbursement requests for a wide range of medical devices and other health care products.

The decline in homecare revenue of approximately \$0.4 million in the second quarter was partially offset by an increase in government/institutional revenue of \$0.1 million compared to the same period of fiscal 2013. Gross margins in the second quarter rose to 72.1% as compared to 65.2% in the same period in the prior year. This was primarily due to the buildup of inventory in anticipation of the launch of the SmartVest SQL product for which we received FDA clearance in late December 2013. Overall, the smaller net loss in the second quarter was primarily due to the improved gross margins and lower operating expenses.

Operating expenses declined about \$0.3 million compared with the second quarter of last year and were essentially flat as a percentage of sales due to the lower revenues in the second quarter of fiscal 2014 as compared to the second quarter of the prior year.

The Company had positive operating cash flow of approximately \$0.4 million and increased its cash balance by approximately \$0.2 million during the quarter.

Commenting on the Company's results, Electromed's Chief Executive Officer, Kathleen Skarvan said, "We continued to see pressure on our revenues in the second quarter of fiscal 2014 driven by uncertainty surrounding health care reform and the Affordable Care Act combined with ongoing efforts by health insurers to control costs. Despite these challenges, we reduced the reported net loss and added cash to the balance sheet and I am proud of the team for the progress they continue to make in improving the Company's overall financial position."

Electromed, Inc.

Results for the Three-Months Ended December 30, 2013

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On a very positive note, we announced the launch of the Company's newest product, the SmartVest SQL, in late December and began shipping it to patients in mid-January. It is a significant step forward in high frequency chest wall oscillation therapy as it is smaller, lighter and quieter than our previous model, the SV2100. Patients have been asking for these improvements and we delivered with SQL. We believe it will make therapy adherence even easier, a goal long sought by physicians and clinicians.

While the environment remains challenging, we believe SQL gives us an advantage in competing for the attention of doctors, clinicians and patients. We will be rolling SQL out in the domestic HomeCare market as the third quarter progresses."

About Electromed, Inc.

Electromed, Inc. 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. Forward-looking statements can generally be identified by the words "believe," "expect," "anticipate" or "intend" or similar words. Forward-looking statements made in this release include the Company's beliefs regarding the impact of industry trends and legislation on revenue, the Company's revenue growth and cost control strategies, and the Company's beliefs and expectations regarding its SQL product, including the timing of shipments in the domestic homecare market. 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 effect of new legislation on our industry and business, the effectiveness of our sales and marketing and cost control initiatives, changes to reimbursement programs, and delays in manufacturing and shipment of our products, 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

	December 31, 2013	June 30, 2013
	(Unaudited)	
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,236,576	\$ 503,564
Accounts receivable (net of allowances for doubtful accounts of \$45,000)	7,040,935	9,014,043
Inventories	2,266,734	1,379,594
Prepaid expenses and other current assets	298,611	428,843
Income taxes receivable	868,645	538,285
Deferred income taxes	557,000	557,000
Total current assets	<u>12,268,501</u>	<u>12,421,329</u>
Property and equipment, net	3,761,465	3,743,675
Finite-life intangible assets, net	1,019,724	1,080,734
Other assets	348,093	310,089
Total assets	<u>\$ 17,397,783</u>	<u>\$ 17,555,827</u>
Liabilities and Equity		
Current Liabilities		
Current maturities of long-term debt	\$ 45,156	\$ 57,540
Accounts payable	1,301,835	643,681
Accrued compensation	321,072	565,023
Warranty reserve	700,000	680,000
Other accrued liabilities	234,337	247,267
Total current liabilities	<u>2,602,400</u>	<u>2,193,511</u>
Long-term debt, less current maturities.	1,274,775	1,332,455
Deferred income taxes	103,000	103,000
Total liabilities	<u>3,980,175</u>	<u>3,628,966</u>
Commitments and Contingencies (Note 7)		
Equity		
Common stock, \$0.01 par value; authorized: 13,000,000; shares issued and outstanding: 8,114,252 shares	81,143	81,143
Additional paid-in capital	13,200,352	13,134,938
Retained earnings	136,113	710,780
Total equity	<u>13,417,608</u>	<u>13,926,861</u>
Total liabilities and equity	<u>\$ 17,397,783</u>	<u>\$ 17,555,827</u>

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

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2013	2012	2013	2012
Net revenues	\$ 3,501,075	\$ 3,856,370	\$ 6,919,253	\$ 7,887,656
Cost of revenues	978,029	1,342,002	2,040,375	2,552,455
Gross profit	<u>2,523,046</u>	<u>2,514,368</u>	<u>4,878,878</u>	<u>5,335,201</u>
Operating expenses				
Selling, general and administrative	2,739,104	3,000,532	5,463,032	5,816,544
Research and development	92,735	109,250	301,843	210,440
Total operating expenses	<u>2,831,839</u>	<u>3,109,782</u>	<u>5,764,875</u>	<u>6,026,984</u>
Operating loss	<u>(308,793)</u>	<u>(595,414)</u>	<u>(885,997)</u>	<u>(691,783)</u>
Interest expense, net of interest income of \$3,940, \$10,975, \$11,338, and \$15,322 respectively	19,469	25,777	34,670	62,516
Net loss before income taxes	<u>(328,262)</u>	<u>(621,191)</u>	<u>(920,667)</u>	<u>(754,299)</u>
Income tax benefit (expense)	89,000	210,000	346,000	272,000
Net loss	<u>\$ (239,262)</u>	<u>\$ (411,191)</u>	<u>\$ (574,667)</u>	<u>\$ (482,299)</u>
Loss per share:				
Basic and diluted	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>	<u>\$ (0.07)</u>	<u>\$ (0.06)</u>
Weighted-average common shares outstanding:				
Basic	<u>8,114,252</u>	<u>8,114,252</u>	<u>8,114,252</u>	<u>8,114,252</u>
Diluted	<u>8,114,252</u>	<u>8,114,252</u>	<u>8,114,252</u>	<u>8,114,252</u>

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

	For the Six Months Ended December 31,	
	2013	2012
Cash Flows From Operating Activities		
Net loss	\$ (574,667)	\$ (482,299)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	259,074	231,918
Amortization of finite-life intangible assets	63,235	66,234
Amortization of debt issuance costs	8,136	6,377
Share-based compensation expense	65,414	86,382
Loss on disposal of property and equipment	28,178	22,020
Changes in operating assets and liabilities:		
Accounts receivable	1,973,108	1,125,717
Inventories	(887,140)	493,388
Prepaid expenses and other assets	(210,972)	(272,371)
Accounts payable and accrued liabilities	407,275	(74,972)
Net cash provided by operating activities	1,131,641	1,202,394
Cash Flows From Investing Activities		
Expenditures for property and equipment	(291,044)	(482,122)
Expenditures for finite-life intangible assets	(2,225)	(28,092)
Net cash used in investing activities	(293,269)	(510,214)
Cash Flows From Financing Activities		
Net payments on revolving line of credit	—	(1,168,128)
Principal payments on long-term debt including capital lease obligations	(70,064)	(220,871)
Payments of deferred financing fees	(35,296)	—
Net cash used in financing activities	(105,360)	(1,388,999)
Net increase (decrease) in cash and cash equivalents	733,012	(696,819)
Cash and cash equivalents		
Beginning of period	503,564	1,702,435
End of period	<u>\$ 1,236,576</u>	<u>\$ 1,005,616</u>

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FY 2014 Q2

Letter to Shareholders

Making life's important moments possible – one breath at a time.™

To our Shareholders

It is again my privilege to write to you, the Electromed shareholders, to discuss the results of our fiscal 2014 second quarter and the state of the Company looking ahead. Late in the quarter, we received clearance from the FDA for our new SmartVest® SQL™ product. It is smaller, lighter and quieter than our previous model, the SV2100. We began shipping SQL to patients in January and are excited about the response it has received from patients, physicians and clinicians across the country. I'll have more to say about SQL a bit later in this letter.

In the second quarter ended December 31, we reported revenues of \$3.5 million, up slightly from the \$3.4 million we reported in the first quarter of fiscal 2014. Gross margins in the quarter were strong at 72.1%, aided by the buildup of inventory of the newly approved SQL device. Operating expenses in the second quarter were generally in line with our expectations and down slightly from the first quarter. Research and development expense accounted for the decline as we completed work on SQL.

Overall, we reported a net loss of three cents per share for the quarter, compared to a loss of four cents per share in the first quarter. The smaller loss in the second quarter was primarily due to the improved gross margins and lower operating expenses.

Cash flow from operations was again positive and we grew cash on hand at the end of the second quarter to \$1.2 million. We negotiated a new credit facility during the quarter which reduces the interest rate on our mortgage and the new line of credit offers greater flexibility should we decide to tap source of funds.

There continues to be pressure on virtually all segments of the health care market to reduce costs. In our case, reimbursement claims are taking longer to resolve and the payer organizations, whether insurance companies or government entities such as Medicare and Medicaid are scrutinizing requests more closely. This creates challenges for our team to move reimbursement requests through the systems as quickly as possible and I am pleased with their efforts and dedication.

In the second quarter, we saw an increase in referrals due to stronger performance by our sales team in certain areas of the country. We are still cautious, though, as clinics and doctors appeared to be hesitant to prescribe high frequency chest wall oscillation (HFCWO) therapy out of concern that reimbursement might not be available from insurance companies and Medicare. As I've noted previously, this is not a new challenge. However, the delay in resolving appeals to these payers from patients whose physicians have prescribed an HFCWO device has increased. For example, appeals to Medicare which previously were resolved within six months are now experiencing delays of up to 18-24 months before a decision is rendered.

As I noted earlier, we received marketing clearance from the FDA for the SQL, a smaller, lighter and quieter generator that powers the SmartVest. The SQL sets new standards in the HFCWO market and we believe it puts Electromed ahead of the competition in our key markets. We began shipping the new device in January and will be shipping both SQL and our previous model during 2014. SQL continues Electromed's legacy as a leader in innovation and product development in the HFCWO market, a position we believe is key to growing our market share in both homecare and institutional markets.


To leverage the advantages SQL offers, we recently added a Vice President of Sales, Mike Weatherly, to our leadership team. His focus will be on increased referrals and building strategic relationships in the HFCWO market. Mike brings an extensive record of sales growth and leadership in a medical sales environment.

Additionally, we added a senior sales position focused entirely on strategic accounts in the institutional market. The Affordable Care Act currently includes penalties for hospital readmissions for pneumonia, and, in the future, COPD. We believe this is an opportunity to generate greater demand for our SmartVest products. The focus of this new role is to improve our position with major hospitals and clinics where many patients are introduced to HFCWO therapy and to a specific brand of vest. Our goal is to improve penetration in this segment of the market which we believe will result in additional in-home sales opportunities as those patients return home to continue their therapy.

Looking forward, challenges remain as the health care market evolves to respond to the changing reimbursement landscape. With the introduction of SQL, we are better positioned to succeed in this environment and the Electromed team is focused and motivated to deliver on the promise of "Making Life's Important Moments Possible – One Breath at a Time."

Thank you for your interest and support.

Sincerely,

A handwritten signature in cursive script that reads "Kathleen S. Skarvan".

Kathleen Skarvan
Chief Executive Officer

Testimonial

“I have COPD, emphysema, congestive heart failure and diabetes. Before I got the [SmartVest] device, I couldn’t budge the mucus and was getting all kinds of infections. When I got the device, things changed. I breathe better, walk better, sweep the floor, do dishes – the things you can’t do if you don’t move that mucus out of there.”

Georgia
Lovell, Maine

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. Forward-looking statements can generally be identified by the words “believe,” “expect,” “anticipate” or “intend” or similar words. Forward-looking statements made in this letter include the Company’s beliefs and expectations regarding the economic environment in which the Company operates, the benefits of the Company’s SQL product, the ability of the Company to penetrate the institutional market, referral and approval trends, sales growth and profitability goals, financial and operational performance, cost reductions, the regulatory environment surrounding the Company’s medical devices, and the Company’s strategic goals and focus for future periods. 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, changes to reimbursement programs, our ability to effectively control costs, and our ability to obtain credit as needed, 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 letter.
