

---

## Section 1: 8-K (FORM 8K)

---

**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): December 17, 2018

---

**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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

---

---



**Item 1.01 Entry into a Material Definitive Agreement.**

On December 17, 2018, Electromed, Inc. (the “Company”) renewed its \$2,500,000 revolving line of credit with Choice Financial Group (formerly Venture Bank) (“Choice Financial Group”) pursuant to a Rider to Business Loan Agreement (Asset Based) and Change in Terms Agreement (collectively, the “Renewal Documents”). The Renewal Documents provide that the line of credit will be extended for an additional year and mature on December 18, 2019. Upon effectiveness of the renewal on December 18, 2018, interest on borrowings on the line of credit will be reduced from the prime rate less 0.25% to the prime rate less 1.00%, with no interest rate floor, and will remain payable monthly. The amount eligible for borrowing on the line of credit will remain limited to the lesser of \$2,500,000 or 57.00% of eligible accounts receivable. Payment obligations under the line of credit also will remain secured by a security interest in substantially all of the tangible and intangible assets of the Company.

The foregoing description of the line of credit, as renewed, is qualified by reference to the text of the Renewal Documents, copies of which are attached as Exhibits 10.1 and 10.2 and incorporated herein by reference.

**Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.**

The information set forth in response to Item 1.01 of this Current Report on Form 8-K is incorporated herein by reference.

**Item 8.01 Other Events.**

On December 18, 2018, the Company repaid in full the outstanding balance under that certain term loan with Choice Financial Group in the aggregate amount of approximately \$1,080,000. The Company utilized cash to repay the outstanding balance. As a result of the payment, the Company no longer has any obligations under the term loan, thereby releasing Choice Financial Group’s security interest on the Company’s real property.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits:

<u>Exhibit Number</u>	<u>Description</u>	<u>Method of Filing</u>
<u>10.1</u>	<u>Rider to Business Loan Agreement (Asset Based) with Choice Financial Group, dated December 18, 2018.</u>	Filed Electronically
<u>10.2</u>	<u>Change in Terms Agreement with Choice Financial Group, dated December 18, 2018.</u>	Filed Electronically

---

## 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.

ELECTROMED, INC.

Date: December 18, 2018

By: /s/ Jeremy T. Brock

Name: Jeremy T. Brock

Title: Chief Financial Officer

---

[\(Back To Top\)](#)

## **Section 2: EX-10.1 (RIDER TO BUSINESS LOAN AGREEMENT (ASSET BASED) WITH CHOICE FINANCIAL GROUP, DATED DECEMBER 18, 2018)**

**Exhibit 10.1**

### RIDER TO BUSINESS LOAN AGREEMENT (ASSET BASED) AND RELATED DOCUMENTS

This Rider to Business Loan Agreement (Asset Based) ("Rider") is attached to and made a part of that certain Change in Terms Agreement dated December 18, 2018 (the "Change in Terms Agreement"), referring to that certain original Promissory Note # 15695 dated December 18, 2013 and related to that certain Business Loan Agreement (Asset Based) dated December 18, 2016 (as amended to date, the "Business Loan Agreement"), in each case between Electromed, Inc. ("Borrower") and Choice Financial Group (formerly Venture Bank) ("Lender"). In the event of any inconsistency between this Rider, the Change in Terms Agreement, the Business Loan Agreement or any of the Related Documents as defined in the Business Loan Agreement (including any Change of Terms Agreement executed concurrently herewith), the terms of this Rider shall control. Terms used herein and not otherwise defined shall have the meanings given such terms in the Business Loan Agreement. Accordingly, notwithstanding any provisions of the Business Loan Agreement or any of the Related Documents:

1. Lender does not require any opinions of counsel to Borrower in connection with the Loan.
2. Borrower's representations and warranties with respect to Hazardous Substances are made to the best of its knowledge, based upon reasonable investigation, and subject to any matters disclosed in any environmental site assessments obtained by or delivered to Lender. Lender acknowledges and agrees that the Collateral has been used for the storage, use and generation of hazardous substances as customary in Borrower's business in compliance with all applicable laws and may in the future be used for such purposes in compliance with all applicable laws. Further, inspections, tests and assessments of the Collateral by Lender to determine compliance with the provisions of the Business Loan Agreement and Related Documents relating to Hazardous Substances shall be at Borrower's expense only if Lender has reasonable cause to believe Borrower is in violation of such provisions.
3. Lender's request for additional information and insurance coverage shall be reasonable for the type of business and type of property constituting the Collateral. Borrower shall not have the obligation to have the Collateral appraised for insurance purposes during the term of the Loan.
4. Borrower shall not have the obligation to notify Lender of defaults under any agreements other than the Business Loan Agreement or Related Documents unless such defaults are material.
5. Borrower shall not have the obligation to notify Lender of management changes other than executive management changes.
6. Lender shall give Borrower reasonable notice prior to inspection of the tangible Collateral or Borrower's books and records.
7. Lender shall not have the right to exercise any of the remedies (including the right of setoff and the right to freeze accounts of Borrower) provided for under the Business Loan Agreement or Related Documents except upon the occurrence of an Event of Default as defined therein and during the continuance of such Event of Default.
8. Failure of the Borrower to make any payment when due under the Loan shall not constitute an Event of Default under the Business Loan Agreement or any of the Related Documents until five (5) days after written notice thereof is given to Borrower.
9. Lender will promptly notify Borrower if it makes any expenditures or takes any action pursuant to the paragraph labeled "LENDER'S EXPENDITURES."



10. Borrower shall have the right to incur indebtedness and grant related liens to other lenders and to enter into equipment leases from third party vendors or finance companies to finance equipment acquisitions not to exceed \$100,000 per year without the consent of Lender.
  11. The filing of any involuntary bankruptcy or insolvency petition against Borrower shall not constitute an Event of Default unless the Borrower fails to have such filing dismissed within thirty days after such filing is made or the court grants the petition for relief.
  12. A change in ownership of Borrower's stock shall not constitute a default.
  13. A material adverse change in Borrower's financial condition, or Lender believing the prospect of payment or performance is impaired, or the Lender otherwise believing itself insecure, shall not constitute an event of default so long as no other event of default has occurred and is continuing.
  14. Borrower shall have the right to sell obsolete equipment or fixtures constituting part of the Collateral without the consent of Lender, so long as such equipment or fixtures are promptly replaced with items of equivalent or greater value.
  15. Lender shall not sell the Loan to another lender or sell participation interests in the Loan without Borrower's prior consent, except in the event of the sale or transfer of substantially all the assets of Lender.
  16. There are no guarantors of the Loan, and no affiliates of Borrower shall be required to provide Collateral.
  17. The definition of "Eligible Accounts" is hereby modified to include (i) foreign accounts that are secured by a letter of credit issued by a U.S. state or federal bank acceptable to Lender, and (ii) accounts that are conditional but are carried on Borrower's books in accordance with GAAP. Further, Lender shall not unreasonably disqualify accounts as Eligible Accounts based upon the creditworthiness or financial condition of the Account Debtor.
  18. The Commercial Security Agreement shall secure only the Note, the obligations under the Related Documents, and that certain Promissory Note dated December 18, 2013 between Borrower and Lender in the amount of \$1,300,000 (the "RE Note") and the "Related Documents" as defined in the Business Loan Agreement of even date herewith between Borrower and Lender relating to the RE Note.
  19. Borrower may maintain deductibles under its insurance policies up to \$20,000. Borrower shall not have the obligation to notify Lender and shall have the right to adjust and receive insurance proceeds upon damage to the Collateral not exceeding \$50,000, so long as Borrower promptly repairs and restores such damage. The occurrence of casualty damage or other loss which is insured (other than a reasonable deductible) shall not constitute an Event of Default.
  20. Lender waives the obligation of Borrower to make monthly payments into reserves for payment of insurance unless and until an Event of Default occurs.
  21. Lender will not require direct payment of accounts to Lender or into a lock box unless and until an Event of Default occurs.
  22. Borrower has a corporate seal but it is not required for effective execution of the Business Loan Agreement or any of the Related Documents.
-

23. The immediate termination of all commitments pursuant to the paragraph labeled “EFFECT OF AN EVENT OF DEFAULT” will not trigger the mandatory loan prepayment obligation of Borrower pursuant to the paragraph labeled “Mandatory Loan Repayments” unless and until Lender elects to accelerate the Indebtedness.

24. Borrower may sell inventory in the ordinary course of business without the prior written consent of the Lender. Borrower may also compromise, settle, adjust or extend payment under or with regard to Accounts in the ordinary course of business using prudent business practices, provided the Borrower promptly remedies any noncompliance with the Borrowing Base following such action.

25. All representations and warranties made by Borrower related to Collateral ownership, title and Security Interests, as well as all conditions precedent to Advances and covenants of Borrower related to the foregoing, are amended to specifically permit the existence of and allow the continuance of Permitted Liens.

26. The terms set forth in the Business Loan Agreement (as modified and controlled by this Rider) control in the event of any inconsistency between the Business Loan Agreement (as modified and controlled by this Rider) and any Related Document.

27. Borrower shall only be obligated to reimburse or make payment to Lender for reasonable costs, expenditures and expenses incurred by Lender; provided, however, that in the event of an enforcement action or proceeding, Borrower shall be obligated to reimburse Lender for all costs, expenditures and expenses.

28. A default will not arise in respect of any representations, warranties or covenants made by or binding on Borrower related to compliance with laws, ordinances, rules and regulations unless the Borrower has failed to comply with such laws, ordinances, rules and regulations in a manner that has or could have, in the reasonable opinion of the Lender, a material adverse effect on Borrower’s operations or properties.

29. Notwithstanding that Lender has required the form of “Corporate Resolution to Borrower / Grant Collateral” be dated as of December 18, 2018, Borrower and Lender hereby acknowledge and agree that Borrower has duly adopted and approved resolutions approving the Change in Terms Agreement, Business Loan Agreement, the Related Documents and this Rider as of December 17, 2018.

30. Notwithstanding any reference in the Change in Terms Agreement or any other document executed in connection therewith in December 2018, Borrower and Lender hereby acknowledge and agree that (a) no replacement or new Business Loan Agreement is executed by the parties in December 2018 and (b) each reference to the “Business Loan Agreement” contained in the Change in Terms Agreement or any other related documents shall be a reference to the Business Loan Agreement (Asset Based) dated December 18, 2016 (as amended by the Change in Terms Agreement).

*Signature page follows*

---

IN WITNESS WHEREOF, the parties hereto have caused this Rider to be duly executed effective as of December 18, 2018.

**CHOICE FINANCIAL GROUP**

By: /s/ Kevin P. Doyle  
Name: Kevin P. Doyle  
Title: Vice President

**ELECTROMED, INC.**

By: /s/ Jeremy Brock  
Name: Jeremy Brock  
Title: Chief Financial Officer

[\(Back To Top\)](#)

### Section 3: EX-10.2 (CHANGE IN TERMS AGREEMENT WITH CHOICE FINANCIAL GROUP, DATED DECEMBER 18, 2018)

Exhibit 10.2

#### CHANGE IN TERMS AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$2,500,000.00	12-18-2018	12-18-2019	15695	4A/C49	***	KPD	
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.							
Any item above containing "****" has been omitted due to text length limitations.							

**Borrower:** Electromed, Inc.  
500 6th Ave NW  
New Prague, MN 56071-1134

**Lender:** Choice Financial Group  
Golden Valley  
6210 Wayzata Boulevard  
Golden Valley, MN 55416  
(763) 398-3333

**Principal Amount: \$2,500,000.00**

**Date of Agreement: December 18, 2018**

**DESCRIPTION OF EXISTING INDEBTEDNESS.** Promissory Note #15695 dated 12-18-2013 in the original amount of \$2,500,000.00 from Borrower to Choice Financial Group, successor by acquisition and merger with Venture Bank.

**DESCRIPTION OF COLLATERAL. :**

- All Business Assets per Commercial Security Agreement dated 12-18-2013.

**DESCRIPTION OF CHANGE IN TERMS.**

- 1). Extend the Maturity Date to 12-18-2019.
- 2). Amend Interest Rate to be a variable rate equal to Wall Street Journal minus 1.00%.
- 3). Add the following financial requirement to the Business Loan Agreement (Asset Based):
  - Borrower will provide, as soon as available, but in no event later than one-hundred twenty (120) days after the end of each fiscal year, a balance sheet and income statement for the year ended, audited by a certified public accountant satisfactory to Lender.
- 4). Amend the following financial requirements listed in the Business Loan Agreement (Asset Based):
  - Borrower will provide, as soon as available, but in no event later than forty-five (45) days after the end of each quarter, Borrower's balance sheet and profit and loss statement for the period ended, prepared by Borrower.

- Borrower will provide, as soon as available, but in no event later than forty-five (45) days after the end of each month, Borrower's Accounts Receivable Aging report, only when line is in use.

- Borrower will provide, as soon as available, but in no event later than forty-five (45) days after the end of each month, Borrower's Collateral Schedule, only when line is in use.

5). Remove the following additional requirement from the Business Loan Agreement (Asset Based):

- A pro-rated non-usage fee of 0.120% based on the average unused portion of the line of credit or \$3,000.00, whichever is less, will be assessed annually at loan maturity.

**PROMISE TO PAY.** Electromed, Inc. ("Borrower") promises to pay to Choice Financial Group ("Lender"), or order, in lawful money of the United States of America, the principal amount of Two Million Five Hundred Thousand & 00/100 Dollars (\$2,500,000.00) or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of each advance.

**PAYMENT.** Borrower will pay this loan in full immediately upon Lender's demand. If no demand is made, Borrower will pay this loan in one payment of all outstanding principal plus all accrued unpaid interest on December 18, 2019. In addition, Borrower will pay regular monthly payments of all accrued unpaid interest due as of each payment date, beginning January 18, 2019, with all subsequent interest payments to be due on the same day of each month after that. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any escrow or reserve account payments as required under any mortgage, deed of trust, or other security instrument or security agreement securing this Note; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

**VARIABLE INTEREST RATE.** The interest rate on this loan is subject to change from time to time based on changes in an independent index which is the Prime Rate as published in the Wall Street Journal (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notifying Borrower. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each day. Borrower understands that Lender may make loans based on other rates as well. **The Index currently is 5.250% per annum.** Interest on the unpaid principal balance of this loan will be calculated as described in the "INTEREST CALCULATION METHOD" paragraph using a rate of 1.000 percentage point under the Index, resulting in an initial rate of 4.250%.

NOTICE: Under no circumstances will the interest rate on this loan be more than the maximum rate allowed by applicable law.

**INTEREST CALCULATION METHOD.** Interest on this loan is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this loan is computed using this method.

**PREPAYMENT.** Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, early payments will reduce the principal balance due. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Agreement, and Borrower will remain obligated to pay any further amount owed to Lender. **All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Choice Financial Group, Golden Valley, 6210 Wayzata Boulevard Golden Valley, MN 55416.**

**LATE CHARGE.** If a payment is 10 days or more late, Borrower will be charged **5.000% of the unpaid portion of the regularly scheduled payment or \$50.00, whichever is greater.**

**INTEREST AFTER DEFAULT.** Upon default, including failure to pay upon final maturity, the interest rate on this loan shall be increased by adding an additional 6.000 percentage point margin ("Default Rate Margin"). The Default Rate Margin shall also apply to each succeeding interest rate change that would have applied had there been no default. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

---

**CHANGE IN TERMS AGREEMENT  
(Continued)**

Loan No: 15695

Page 2

---

**DEFAULT.** Each of the following shall constitute an Event of Default under this Agreement:

**Payment Default.** Borrower fails to make any payment when due under the Indebtedness.

**Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

**Default in Favor of Third Parties.** Borrower defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or ability to perform Borrower's obligations under this Agreement or any of the Related Documents.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

**Insolvency.** The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the Indebtedness. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the Indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness evidenced by this Note.

**Change In Ownership.** Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

**Adverse Change.** A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

**Insecurity.** Lender in good faith believes itself insecure.

**Cure Provisions.** If any default, other than a default in payment, is curable and if Borrower has not been given a notice of a breach of the same provision of this Agreement within the preceding twelve (12) months, it may be cured if Borrower, after Lender sends written notice to Borrower demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

**LENDER'S RIGHTS.** Upon default, Lender may declare the entire unpaid principal balance under this Agreement and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

**ATTORNEYS' FEES; EXPENSES.** Lender may hire or pay someone else to help collect this Agreement if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including reasonable attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

**JURY WAIVER.** Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

**GOVERNING LAW.** This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Minnesota without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of Minnesota.

**RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.

**COLLATERAL.** Borrower acknowledges this Agreement is secured by:

- All Business Assets per Commercial Security Agreement dated 12-18-2013.

**LINE OF CREDIT.** This Agreement evidences a revolving line of credit. Advances under this Agreement, as well as directions for payment from Borrower's accounts, may be requested orally or in writing by Borrower or by an authorized person. Lender may, but need not, require that all oral requests be confirmed in writing. Borrower agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Agreement at any time may be evidenced by endorsements on this Agreement or by Lender's internal records, including daily computer print-outs. Lender will have no obligation to advance funds under this Agreement if: (A) Borrower or any guarantor is in default under the terms of this Agreement or any agreement that Borrower or any guarantor has with Lender, including any agreement made in connection with the signing of this Agreement; (B) Borrower or any guarantor ceases doing business or is insolvent; (C) any guarantor seeks, claims or otherwise attempts to limit, modify or revoke such guarantor's guarantee of this Agreement or any other loan with Lender; (D) Borrower has applied funds provided pursuant to this Agreement for purposes other than those authorized by Lender; or (E) Lender in good faith believes itself insecure.

**CONTINUING VALIDITY.** Except as expressly changed by this Agreement, the terms of the original obligation or obligations, including all agreements evidenced or securing the obligation(s), remain unchanged and in full force and effect. Consent by Lender to this Agreement does not waive Lender's right to strict performance of the obligation(s) as changed, nor obligate Lender to make any future change in terms. Nothing in this Agreement will constitute a satisfaction of the obligation(s). It is the intention of Lender to retain as liable parties all makers and endorsers of the original obligation(s), including accommodation parties, unless a party is expressly released by Lender in writing. Any maker or endorser, including accommodation makers, will not be released by virtue of this Agreement. If any person who signed the original obligation does not sign this Agreement below, then all persons signing below acknowledge that this Agreement is given conditionally, based on the representation to Lender that the non-signing party consents to the changes and provisions of this Agreement or otherwise will not be released by it. This waiver applies not only to any initial extension, modification or release, but also to all such subsequent actions.

---

**CHANGE IN TERMS AGREEMENT  
(Continued)**

Loan No: 15695

Page 3

---

**LOAN AGREEMENT.** A Loan Agreement is attached to this Promissory Note.

**SUCCESSORS AND ASSIGNS.** Subject to any limitations stated in this Agreement on transfer of Borrower's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Borrower, Lender, without notice to Borrower, may deal with Borrower's successors with reference to this Agreement and the Indebtedness by way of forbearance or extension without releasing Borrower from the obligations of this Agreement or liability under the Indebtedness.

**NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES.** Please notify us if we report any inaccurate information about your account(s) to a consumer reporting agency. Your written notice describing the specific inaccuracy(ies) should be sent to us at the following address: Choice Financial Group, Golden Valley, 6210 Wayzata Boulevard, Golden Valley, MN 55416.

**MISCELLANEOUS PROVISIONS.** This Agreement is payable on demand. The inclusion of specific default provisions or rights of Lender shall not preclude Lender's right to declare payment of this Agreement on its demand. If any part of this Agreement cannot be enforced, this fact will not affect the rest of the Agreement. Lender may delay or forgo enforcing any of its rights or remedies under this Agreement without losing them. In addition, Lender shall have all the rights and remedies provided in the related documents or available at law, in equity, or otherwise. Except as may be prohibited by applicable law, all of Lender's rights and remedies shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Borrower shall not affect Lender's right to declare a default and to exercise its rights and remedies. Borrower and any other person who signs, guarantees or endorses this Agreement, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Agreement, and unless otherwise expressly stated in writing, no party who signs this Agreement, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Agreement are joint and several.

**SECTION DISCLOSURE.** To the extent not preempted by federal law, this loan is made under Minnesota Statutes, Section 334.01.

**PRIOR TO SIGNING THIS AGREEMENT, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS AGREEMENT, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE AGREEMENT.**

**BORROWER:**

**ELECTROMED, INC.**

By: /s/ Jeremy Brock  
Jeremy Brock, Chief Financial Officer of Electromed, Inc.

**LENDER:**

**CHOICE FINANCIAL GROUP**

X /s/ Kevin P Doyle  
Kevin P Doyle, VP Commercial Loan Officer