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Â Â Â UNITED STATES SECURITIES AND EXCHANGE COMMISSIONWashington, DC 20549Â Â FORM 10-KÂ Â â˜’ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 Â For the fiscal year ended June 30, 2024Â ORÂ â˜ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934 Â For the transition periodfrom ____________ to ____________Â Commission File Number: 000-14942Â PRO-DEX, INC.(Exact name of registrant as specified in itscharter)Â Colorado 84-1261240 (State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.) Â Â 2361 McGaw Avenue, Irvine, CA 92614 (Address of Principal Executive Offices) (Zip Code) Â (949) 769-3200(Registrantâ€™s telephone number, includingarea code)Â Securities registered pursuant to Section 12(b)of the Act:Â Title of each class Trading Symbol(s) Name of each exchange on which registered Common Stock, no par value PDEX NASDAQ Capital Market Â Indicate by check mark if the registrant is a well-knownseasoned issuer, as defined in RuleÂ 405 of the Securities Act.Â Â YesÂ â˜Â Â NoÂ â˜’Â Indicate by check mark if the registrant is notrequired to file reports pursuant to Section 13 or Section 15(d) of the Act.Â Â YesÂ â˜Â Â NoÂ â˜’Â Indicate by check mark whether the registrant:(1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months(or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirementsfor the past 90 days.Â Â YesÂ â˜’Â Â NoÂ â˜Â Indicate by check mark whether the registrant hassubmitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding12 months (or for such shorter period that the registrant was required to submit such files).Â Â YesÂ â˜’Â Â NoÂ â˜Â Indicate by check mark whether the registrant isa large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company inRule 12b-2 of the Exchange Act.Â Large accelerated filerÂ Â Â â˜ Â Accelerated filerÂ Â â˜ Non-accelerated filerÂ Â Â Â Â â˜’ Â Smaller reporting companyÂ Â â˜’ Â Â Emerging growth companyÂ Â â˜ Â If an emerging growth company, indicate by check mark if the registranthas elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuantto Section 13(a) of the Exchange Act.Â â˜Â Indicate by check mark whether the registrant has filed a report onand attestation to its managementâ€™s assessment of the effectiveness of its internal control over financial reporting under Section404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.Â â˜Â Ifsecurities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrantincluded in the filing reflect the correction of an error to previously issued financial statements. â˜Â Indicateby check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensationreceived by any of the registrantâ€™s executive officers during the relevant recovery period pursuant to Â§240.10D-1(b). â˜Â Indicate by check mark whether the registrant is a shell company (asdefined in Rule 12b-2 of the Exchange Act).Â Â Â YesÂ â˜Â Â NoÂ â˜’Â As of December 29, 2023,the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing salesprice on the Nasdaq Capital Market was approximately $35.5 million. For the purpose of this calculation shares owned by officers, directors,and 10% shareholders known to the registrant have been deemed to be owned by affiliates. This calculation does not reflect a determinationthat persons are affiliates for any other purposes.Â As of September 4,2024, 3,358,057 shares of the registrantâ€™s no par value common stock were outstanding.Â Documentsincorporated by reference:Â Part III of this reportincorporates by reference certain information from the registrantâ€™s definitive proxy statement (the â€œProxy Statementâ€)for its 2024 Annual Meeting of Shareholders. The Proxy Statement will be filed with the U.S. Securities and Exchange Commission within120 days after the end of the fiscal year to which this report relates.Â Â Â Â PRO-DEX, INC.FORM 10-KFOR THE FISCAL YEAR ENDED JUNE 30, 2024TABLE OF CONTENTS Â Â Â Â PAGEÂ Â Â Â Â Â Â PART IÂ Â Â Â Â Â Â Â Â Â Â Â ITEM 1.Â BUSINESSÂ 1Â ITEM 1A.Â RISK FACTORSÂ 6Â ITEM 1B.Â UNRESOLVED STAFF COMMENTSÂ 13Â ITEM 1C.Â CYBERSECURITYÂ Â 13Â ITEM 2.Â PROPERTIESÂ 14Â ITEM 3.Â LEGAL PROCEEDINGSÂ 14Â ITEM 4.Â MINE SAFETY DISCLOSURESÂ 14Â Â Â Â Â Â Â PART IIÂ Â Â Â Â Â Â Â Â Â Â ITEM 5.Â MARKET FOR REGISTRANTâ€™S COMMON EQUITY,RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIESÂ 15Â ITEM 6.Â RESERVEDÂ 16Â ITEM 7.Â MANAGEMENTâ€™S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONSÂ 17Â ITEM 7A.Â QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKÂ 25Â ITEM 8.Â FINANCIAL STATEMENTS AND SUPPLEMENTARY DATAÂ 26Â ITEM 9.Â CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSUREÂ 53Â ITEM 9A.Â CONTROLS AND PROCEDURESÂ 53Â ITEM 9B.Â OTHER INFORMATIONÂ 54Â ITEM 9C.Â DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONSÂ 54Â Â Â Â Â Â Â PART IIIÂ Â Â Â Â Â Â Â Â Â Â ITEM 10.Â DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCEÂ 55Â ITEM 11.Â EXECUTIVE COMPENSATIONÂ 55Â ITEM 12.Â SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERSÂ 55Â ITEM 13.Â CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCEÂ 55Â ITEM 14.Â PRINCIPAL ACCOUNTANT FEES AND SERVICESÂ 55Â Â Â Â Â Â Â PART IVÂ Â Â Â Â Â Â Â Â Â Â ITEM 15.Â EXHIBITS AND FINANCIAL STATEMENT SCHEDULESÂ 56Â ITEM 16.Â FORM 10â€“K SUMMARYÂ 59Â SIGNATURESÂ Â Â 60Â Â Â Â Â i Â PART ICAUTIONARY NOTE REGARDING FORWARD-LOOKINGSTATEMENTSThis report contains forward-lookingstatements within the meaning of federal securities laws. Forward-looking statements are not based on historical facts but instead reflectthe Companyâ€™s expectations, estimates or projections concerning future results or events. These statements generally can be identifiedby the use of forward-looking words or phrases such as â€œbelieve,â€ â€œexpect,â€ â€œanticipate,â€ â€œmay,â€â€œcould,â€ â€œintend,â€ â€œintent,â€ â€œbelief,â€ â€œestimate,â€ â€œproject,â€â€œforecast,â€ â€œplan,â€ â€œlikely,â€ â€œwill,â€ â€œshouldâ€ or similar words or

phrases.These statements are not guarantees of performance and are inherently subject to known and unknown risks, uncertainties, and assumptionsthat are difficult to predict and could cause actual results, performance, or achievements to differ materially from those expressed orindicated by those statements. The Company cannot assure you that any of its expectations, estimates or projections will be achieved.Forward-looking statementsincluded in this report are only made as of the date of this report and the Company disclaims any obligation to publicly update any forward-lookingstatement to reflect subsequent events or circumstances.Numerous factors could causethe Companyâ€™s actual results and events to differ materially from those expressed or implied by forward-looking statements, including,without limitation: loss of a significant customer, entry of new and stronger competitors, capital availability, unexpected costs, compliancewith contractual obligations, failure to capitalize upon access to new customers, the ramifications of industry consolidation of medicalproducts manufacturers, dealers and distributors, managed health care, failure to mitigate supply chain issues, market acceptance andsupport of new products, cancellation of existing contracts, customer â€œin houseâ€ production of products previously designedby and/or acquired from the Company, invalidity or unenforceability of the Companyâ€™s patents and other intellectual property, maintainingfavorable supplier relationships, the Companyâ€™s ability to engage qualified human resources as needed, regulatory compliance, generaleconomic conditions, and other factors described under ItemÂ 1A (Risk Factors) of this report. This list of factors is illustrative,but by no means exhaustive. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty.ITEM 1.BUSINESSCompany OverviewPro-Dex, Inc. (â€œCompany,â€â€œPro-Dex,â€ â€œwe,â€ â€œour,â€ â€œusâ€) specializes in the design, development, and manufactureof autoclavable, battery-powered and electric, multi-function surgical drivers and shavers used primarily in the orthopedic, thoracic,and craniomaxillofacial (â€œCMFâ€) markets.Â We have patented adaptive torque-limiting technology and proprietary sealingsolutions which appeal to our customers, primarily medical device distributors. We also manufacture and sell rotary air motors to a widerange of industries.Â Our patented adaptive torque-limitingsoftware has been very well received in the CMF and thoracic markets and we have continued investment in this area with research and developmentfocused on applying this technology to other surgical applications.Â In November 2020, we purchasedan approximate 25,000 square foot industrial building in Tustin, California (the â€œFranklinPropertyâ€). This building is located approximately four miles from our Irvine, California headquarters and was acquired to provideus additional capacity for our expected continued future growth. We substantially completed the build-out of the property during fiscal2022 and concluded various verification and validation activities during fiscal 2023. We moved our entire assembly and repairs operationsto the new facility in the fourth quarter of fiscal 2023 and we are now fully operational in the new facility. We believe the new facilitywill create additional capacity for our expected continued growth over the next several years.Â 1Â Â Ourprincipal headquarters are located at 2361 McGaw Avenue, Irvine, California 92614 and our phone number is 949-769-3200. Our Internet addressis www.pro-dex.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments tothose reports, and certain other Securities and Exchange Commission (â€œSECâ€) filings, are available free of charge throughour website as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. In addition,our Code of Ethics and other corporate governance documents may be found on our website at the Internet address set forth above. Our filingswith the SEC may also be read and copied at the SECâ€™s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You mayobtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet sitethat contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SECat www.sec.gov and company specific information at www.sec.gov/edgar/searchedgar/companysearch.html.All years relating to financialdata herein shall refer to fiscal years ended JuneÂ 30, unless indicated otherwise.Â Description of BusinessThemajority of our revenue is derived from designing, developing and manufacturing surgicaldevices for the medical device industry. The proportion of total sales by type is as follows(in thousands, except percentages): Â Â Years Ended June 30,Â Â Â 2024Â Â 2023Â Â Â (In thousands)Â Â Â Â Â Â % of RevenueÂ Â Â Â Â % of RevenueÂ Medical devicesÂ $36,979Â Â Â 69%Â $30,740Â Â Â 66% Industrial and scientificÂ Â 765Â Â Â 1%Â Â 865Â Â Â 2% NRE & PrototypesÂ Â 786Â Â Â 1%Â Â 2,695Â Â Â 6% Dental and componentÂ Â 201Â Â Â â€"Â Â Â 257Â Â Â 1% RepairsÂ Â 16,505Â Â Â 31%Â Â 12,617Â Â Â 27% Discounts & OtherÂ Â (1,392)Â Â (2%)Â Â (1,087)Â Â (2%) Total SalesÂ $53,844Â Â Â 100%Â $46,087Â Â Â 100% Â Our medical device products utilizeproprietary designs developed by us primarily under exclusive development and supply agreements and are currently machined in our Irvine,California facility, and assembled in our Tustin, California facility, as are our rotary air motors. Our medical device products are soldprimarily to original equipment manufacturers and our air motors are sold primarily to a wide range of distributors and end users.In fiscal 2024, our topthree customers accounted for 88% of our sales compared to 92% in fiscal 2023. In fiscal 2024, we had one customer, included in both medicaldevice and repairs revenue above, that accounted for 71% of sales with our next largest customer accounting for 12% of sales. This comparesto fiscal 2023, when these same two customers accounted for 67% and 16%, respectively, of our total sales. In many cases, including ourlargest customers, disclosure of customer names is prohibited by confidentiality agreements with such entities. We have no plans to discontinuethe sales relationships with our existing significant customers, nor does management have any knowledge that any existing significantcustomer intends to terminate its relationship with us.Â Our business today is almost entirelydriven by sales of our medical devices. Many of our significant customers place purchase orders for specific products that were developedunder various development and/or supply agreements. Our customers may request that we design and manufacture a custom surgical deviceor they may hire us as a contract manufacturer to manufacture a product of their own design. In either case, we have extensive experiencewith autoclavable, battery-powered and electric, multi-function surgical drivers and shavers. We continue to focus a significant percentageof our time and resources on providing outstanding products and service to our valued principal customers. During the first quarter offiscal 2021, our largest customer executed an amendment to our existing supply agreement such that we will continue to supply their surgicalhandpieces to them through calendar 2025 and, during the fourth quarter of fiscal 2021, they executed a product development agreementand related statement of work for our assistance with the next generation of this handpiece. Additionally, we continue to invest in propertyand equipment as well as personnel to expand our capacity to achieve higher sales volumes.Â 2Â Â To that end, we purchased theFranklin Property in November 2020. This building is located approximately four miles from our Irvine, California headquarters and wasacquired to provide us additional capacity for our expected continued future growth. We began operations in the new facility during thefourth quarter of fiscal 2023. While we believe that the efforts we completed to bring the facility operational will allow us ample capacityto increase revenues significantly in future years, there can be no assurance that we will increase revenue.Â Simultaneously, we are workingto build top-line sales through active proposals of new medical device products with new and existing customers. Our patented adaptivetorque-limiting software has been very well received in the CMF and thoracic markets. Â The majority of the raw materialsand components used to manufacture our products are purchased and are available from several sources, including through our own in-housemachining capabilities. Portescap, Fischer Connectors, and Tadiran Batteries are examples of key suppliers. We have no exclusive arrangementswith any of our suppliers, but in several instances only one supplier is used for certain high-value components. In most of such instances,secondary suppliers have been identified, although it is likely that any transition to a new or different supplier would result in a delayin the supply chain. We consider our relationships with our suppliers and manufacturers to be good, however, since fiscal 2022 and continuingthrough fiscal 2024, many of our suppliers have increased lead times, experienced delays in shipments and raised prices or temporarilyadded surcharges. We do not intend to terminate any such relationship at this time, nor does management have knowledge that any supplieror manufacturer intends to terminate its relationship with us.Our commitment to productdesign, manufacturing, and quality systems are supported by our compliance with several regulatory agency requirements and standards.We hold a U.S. Food and Drug Administration (â€œFDAâ€) Establishment Registration and a State of California Device ManufacturingLicense (Department of Public Health Food and Drug Branch) with respect to our Irvine and Tustin, California facilities. In addition,both facilities produce products that are certified to ISO 13485:2016, Medical Device Directive 93/42/EEC â€“ Annex II.At JuneÂ 30, 2024,we had a backlog of $19.8 million compared with a backlog of $41.6 million at June 30, 2023. Our backlog represents firm purchase ordersreceived and acknowledged from our customers and does not include all revenue expected to be generated from existing customer contracts.Substantially all of our backlog at June 30, 2024, as well as certain purchase orders received subsequent to June 30, 2024, are expectedto be delivered during fiscal 2025. We have experienced, and may continue to experience, variability in our new order bookings due to,among other reasons, the launch of new products, the timing of customer orders based on end-user demand, and customer inventory levels.We do not expect a reduction in fiscal 2025 revenue as compared to fiscal 2024 revenue and believe that the decline in backlog at June30, 2024 compared to June 30, 2023 is related to timing of customer orders, although there can be no assurance that there will not bea decline in future revenue. Additionally, $10.2 million of our backlog at June 30, 2023 related to orders expected to be delivered infiscal 2025. We do not typically experience seasonal fluctuations in our shipments and revenues.Â SegmentsWe have only one operatingsegment as our business is currently operated. We have reached this conclusion because the our Chief Executive Officer (â€œCEOâ€)allocates resources, assesses performance, and manages our business as one segment. Additionally, 99% of our business relates to designing,manufacturing, and repairing medical devices. We primarily design, sell, and repair handheld medical devices and accessories. We providemedical devices, NRE and proto-type services, as well as repairs to all our customers and we utilize one machine shop and purchasing teamto procure and manufacture all the products that we sell. The CEO utilizes consolidated operating income to analyze our business operations.Â 3Â Â CompetitionThe markets for products in theindustries served by our customers are intensely competitive, and we face significant competition from a number of different sources.Several of our competitors have significantly greater name recognition, as well as substantially greater financial, technical, productdevelopment, and marketing resources, than us.Â We compete in all of ourmarkets with other major medical device companies. As a provider of outsourced services, we also compete with our customersâ€™ owninternal development and manufacturing groups. Competitive pressures and other factors, such as new product or new technology introductionsby us, our customersâ€™ internal development and manufacturing departments, or our competitors, may result in price or market shareerosion that could have a material adverse effect on our business, results of operations, and financial condition. Also, there can beno assurance that our products and services will achieve broad market acceptance or will successfully compete with other products targetingthe same customers.Research and DevelopmentWe conduct research anddevelopment activities to both maintain and improve our market position. Our research and development efforts involve the design and manufactureof products that perform specific applications for our existing and prospective customers. Our research and development activities arefocused on:Â·expanding our knowledge base in the medical device industry to solidify our products with current customersand expand our customer base;Â·advancing applicable technologies;Â·introducing new products; andÂ·enhancing our existing product lines.Â In certain instances, we may shareresearch and development costs with our customers by billing for non-recurring engineering (â€œNREâ€) services often providedfor under development portions of certain contracts. Revenue recognized for NRE services represented 1% of our revenue in fiscal 2024and 6% of our revenue in fiscal 2023.During the fiscal yearsended JuneÂ 30, 2024 and 2023, we incurred research and development expenses amounting to $3.2 million and $2.8 million, respectively,which costs exclude labor and related expenses of approximately $224,000 and $724,000 in fiscal 2024 and 2023, respectively, that werereimbursed by our customers through billings for NRE services.Human Capital ManagementOur employees are amongour most critical assets. The success and growth of our business depends on our ability to attract, reward, retain and develop talentin all levels of our organization, including, but not limited to, machine operators, assembly technicians, engineers, and management.In order to attract andretain highly qualified employees, we offer the following:Â·Competitive, reasonable, and equitable compensation programs;Â·Comprehensive and highly competitive health and welfare benefits to promote our employeesâ€™ physicalhealth, as well as a 401(k) plan to support our employeesâ€™ financial health;Â·An Employee Stock Purchase Plan and equity compensation to provide financial value, align employeeâ€™sinterests with those of our shareholders, and incentivize retention;Â·Flexible paid vacation and sick time, as well as paid volunteer time; andÂ·Education/tuition reimbursement and referral programs.Our employee turnover forthe fiscal years ended June 30, 2024 and 2023 was 21% and 16%, respectively. We consider the turnover rate a valuable metric to measurethe effectiveness of our programs and to assist in developing new programs. 4Â Â EmployeesAt June 30, 2024, we had148 employees, two of whom were part time, and all of our employees were working at one or both of our facilities in Irvine, Californiaand Tustin, California. At June 30, 2023, we had 146 employees, one of whom was part-time, and all were working at either our Irvine,California facility or our Tustin, California facility, except for one employee who worked remotely out of state. None of our employeesare a party to any collective bargaining agreements with us. We consider our relationships with our employees to be good.Â Government RegulationsThe manufacture and distributionof medical devices are subject to state and federal requirements set forth by various agencies, including the FDA, and state medical boards.The statutes, regulations, administrative orders, and advisories that affect our businesses are complex and subject to diverse, oftenconflicting, interpretations. While we make every effort to maintain full compliance with all applicable laws and regulations, we areunable to eliminate the ongoing risk that one or more of our activities or devices may at some point be determined to be non-compliant.The penalties for non-compliance could range from an administrative warning to termination of a portion of our business. Furthermore,even if we are subsequently determined to have fully complied with applicable laws or regulations, the costs to achieve such a determinationand the intervening loss of business could adversely affect or result in the cessation of a portion of our business. A change in suchlaws or regulations at any time may have an adverse effect on our operations.The FDA designates all medicaldevices into one of three classes (Class I, II, or III) based on the level of control necessary to assure the safety and effectivenessof the device (with Class I requiring the lowest level of control and Class III requiring the greatest level of control). The surgicalinstrumentation we manufacture is generally classified into Class I. The FDA has broad enforcement powers to recall and prohibit the saleof products that do not comply with federal regulations and to order the cessation of non-compliant processes. No claim has been madeto date by the FDA regarding any of our products or processes. Nevertheless, as is common in the industry, certain of our products andprocesses have been the subject of routine governmental reviews and investigations.The total cost of providinghealth care services has been and will continue to be subject to review by governmental agencies and legislative bodies in the major worldmarkets, including the United States, which are faced with significant pressure to lower health care costs. Downward pressure on healthcare costs could result in reduced pricing or demand for our products.We believe that our businessis conducted in a manner consistent with the Environmental Protection Agency (â€œEPAâ€) and other agency regulations governingdisposition of industrial waste materials.While we believe that ourproducts and processes fully comply with applicable laws and regulations, we are unable to predict the outcome of any investigation orreview which may be undertaken in the future with respect to our products or processes.Management believes thateach of our facilities has manufacturing systems and processes that are based on established Quality Management System standards. In addition,we believe that both our Irvine, California and Tustin, California facilities are compliant with applicable Good Manufacturing Practicespromulgated by the FDA and are compliant with applicable ISO standards set forth by the International Organization for Standardization.Patents, Trademarks, and Licensing AgreementsWe hold US and foreign patentsrelating to our handheld medical devices and torque-limiting screwdrivers. Our patents have varying expiration dates. The near-term expirationof the patents, if any, is not expected to cause any change in our revenue-generating operations as changing the legal manufacturer ofmedical devices is a significant undertaking and the expiration of a patent would offer minimal inducement to make such a change.We have no reason to believethat our activities infringe upon the intellectual property of any third party. With respect to our own patents, we have no reason tobelieve that our patents are invalid, and we believe that at least some of our patents cover certain aspects of our products. Althoughwe are currently unaware of any reason that would cause us to assert or defend a claim of patent infringement, any such assertion or defensecould materially and adversely affect our business and results of operations due to the costs involved.We have certain federallyregistered trademarks relating to our products, including Pro-DexÂ®, along with a number of other common law trademarks.We have not entered intoany franchising agreements. We have not granted, nor do we hold any, third-party licenses having terms under which we earn revenue orincur expense in material amounts.Â 5Â Â ITEM 1A.RISK FACTORSInvesting in our commonstock involves a high degree of risk. You should carefully consider the following risk factors, as well as the other information containedin this report, before deciding whether to invest in shares of our common stock. If any of the following risks actually occur, our business,financial condition, operating results, and prospects would suffer. In that case, the trading price of our common stock would likely declineand you might lose all or part of your investment in our common stock. The risks described below are not the only ones we face. Additionalrisks that we currently do not know about or that we currently believe to be immaterial may also impair our operations and business results.Risks Related to Our Business and the Industryin Which We OperateA substantial portion of our revenue is derivedfrom a few customers. If we were to lose a key customer, it would have a material adverse effect on our business, financial condition,and results of operations.Â In fiscal 2024, our top threecustomers accounted for 88% of our sales, with our current largest customer accounting for 71% of our sales. This customer has made purchasecommitments to us through a supply agreement to purchase surgical handpieces through calendar 2025, but there can be no assurance thatthis customer will extend purchase commitments to us beyond that date. The loss of, or a material reduction in purchases from, this customeror any of our significant customers would severely impact us, including having a material adverse effect on our business, financial condition,cash flows, revenue, and results of operations.A substantial portion of our business isderived from our core business area that, if not serviced properly, may result in a material adverse impact upon our business, financialcondition, and results of operations.In fiscal 2024, we derived99% of our revenue from sales of our medical device products and related services. We believe that a primary factor in the market acceptanceof our products and services is the value they create for our customers. Our future financial performance will depend in large part onour ability to continue to meet the increasingly sophisticated needs of our customers through the timely development, and successful introductionand implementation, of new and enhanced products and services, while at the same time continuing to provide the value our customers havecome to expect from us. We have historically expended a significant percentage of our revenue on product development and believe thatsignificant continued product development efforts will be required to sustain our growth. Continued investment in our sales and marketingefforts will also be required to support future growth.There can be no assurancethat we will be successful in our product development efforts, that the market will continue to accept our existing products, or thatnew products or product enhancements will be developed and implemented in a timely manner, meet the requirements of our customers, orachieve market acceptance. If the market does not continue to accept our existing products, or our new products or product enhancementsdo not achieve market acceptance, our business, financial condition, and results of operations could be materially adversely affected.Â Our customers may cancel or reduce their orders, change production quantities,or delay production, any of which would reduce our sales and adversely affect our results of operations.Â Sincemost of our customers purchase our products from us on a purchase order basis, they may cancel, change, or delay product purchase commitmentswith little notice to us. As a result, we are not always able to forecast with certainty the sales that we will make in a given periodand sometimes we may increase our inventory, working capital, and overhead in expectation of orders that may never be placed, or, if placed,may be delayed, reduced, or canceled.Â The following factors, among others, affect our abilityto forecast accurately our sales and production capacity:Â Â â€¢ Â Changes in the specific products or quantities our customers order; and Â Â Â Â Â â€¢ Â Long lead times and advance financial commitments for components required to complete actual/anticipated customer orders. Â Â Â Â Â Â 6Â Â In addition to reducing our sales,delayed, reduced, or canceled purchase orders also may result in our inability to recover costs that we incur in anticipation of thoseorders, such as costs associated with purchased raw materials and write-offs of obsolete inventory.In recent years, we have launched severalnew medical device products and our estimates of warranty claims are based largely on our previous history from similar legacy products.If actual warranty claims exceed our estimates, it could have an adverse effect on our results of operations and financial condition.Â In recent years, we have completedsignificant medical device development projects in the CMF and thoracic surgical segments for which we have made estimates of productwarranty claims based upon similar, legacy products. If the actual repair volumes or repair costs exceed the estimates that we have beenusing, we may incur additional costs which could be materially adverse to our results of operations and financial condition.We face significant competition from a numberof different sources, which could negatively impact our results of operations.The markets for productsin the industries served by our customers are intensely competitive, and we face significant competition from a number of different sources.Several of our competitors have significantly greater name recognition, as well as substantially greater financial, technical, productdevelopment and marketing resources, than us.We compete in all of ourmarkets with other major surgical device and related companies. As a provider of outsourced products and services, we also compete withour customersâ€™ own internal development groups. Competitive pressures and other factors, such as new product or new technology introductionsby us, our customersâ€™ internal development and manufacturing departments, or our competitors, may result in price or market shareerosion that could have a material adverse effect on our business, results of operations and financial condition. Also, there can be noassurance that our products and services will achieve broad market acceptance or will successfully compete with other products.Â The industry in which we operate is subject tosignificant technological change and any failure or delay in addressing such change could adversely affect our competitive position orcould make our current products obsolete. The medical device marketis generally characterized by rapid technological change, changing customer needs, frequent new product introductions and evolving industrystandards. The introduction of products incorporating new technologies and the emergence of new industry standards could render our existingproducts obsolete and unmarketable. There can be no assurance that we will be successful in developing and marketing new products thatrespond to technological changes or evolving industry standards.New product developmentrequires significant research and development expenditures that we have historically funded through operations; however, we may be unableto do so in the future. Any significant decrease in revenues or research funding could impair our ability to respond to technologicaladvances in the marketplace and to remain competitive. If we are unable, for technological or other reasons, to develop and introducenew products in a timely manner in response to changing market conditions or customer requirements, our business, results of operations,and financial condition may be materially adversely affected. Although we continue to target new markets for access, develop new products,and update existing products, there can be no assurance that we will do so successfully or that, even if we are successful, such effortswill be completed concurrently with or prior to the introduction of competing products. Any such failure or delay could adversely affectour competitive position or could make our current products obsolete.We rely heavily on our proprietary technology,which, if not properly protected or if deemed invalid, could have a material adverse effect on our business, financial condition, andresults of operations.We are dependent on themaintenance and protection of our proprietary technology and rely on patent filings, exclusive development and supply agreements, confidentialityprocedures and employee nondisclosure agreements to protect it. There can be no assurance that the legal protections and precautions takenby us will be adequate to prevent misappropriation of our technology or that competitors will not independently develop technologies equivalentor superior to ours. Further, the laws of some foreign countries do not protect our proprietary rights to as great an extent as do thelaws of the United States and are often not enforced as vigorously as those in the United States.Â 7Â Â We do not believe that ouroperations or products infringe on the intellectual property rights of others. However, there can be no assurance that others will notassert infringement or trade secret claims against us with respect to our current or future products. Assertions or claims by others,whether or not valid, could cause us to incur significant legal costs defending our intellectual property rights and potentially requireus to enter into a license agreement or royalty arrangement with the party asserting the claim or to cease our use of the infringing technology,any of which could have a material adverse effect on our business, financial condition and results of operations.If our technology infrastructure is compromised,damaged or interrupted by a cybersecurity incident, data security breach or other security problems, our results of operations and financialcondition could be adversely affected.We use technology in substantiallyall aspects of our business operations, and our ability to serve customers most effectively depends on the reliability of our technologysystems. We use software and other technology systems, among other things, to generate sales orders, job orders, and purchase orders andto monitor and manage our business on a day-to-day basis. Cybersecurity incidents can include computer viruses, computer denial-of-serviceattacks, worms, and other malicious software programs or other attacks, covert introduction of malware to computers and networks, impersonationof authorized users, and efforts to discover and exploit any design flaws, bugs, security vulnerabilities or security weaknesses, as wellas intentional or unintentional acts by employees or other insiders with access privileges, intentional acts of vandalism by third partiesand sabotage.In addition, our technologyinfrastructure and systems are vulnerable to damage or interruption from natural disasters, power loss and telecommunications failures.Any such disruption to our systems, or the technology systems of third parties on which we rely, the failure of these systems to otherwiseperform as anticipated, or the theft, destruction, loss, misappropriation, or release of sensitive and/or confidential information orintellectual property, could result in business disruption, negative publicity, loss of customers, potential liability, including litigationor other legal actions against us or the imposition of penalties, fines, fees or liabilities, which may not be covered by our insurancepolicies, and competitive disadvantage, any or all of which would potentially adversely affect our customer service, decrease the volumeof our business and result in increased costs and lower profits. Moreover, a cybersecurity breach could require us to devote significantmanagement resources to address the problems associated with the breach and to expend significant additional resources to upgrade furtherthe security measures we employ to protect information against cyber-attacks and other wrongful attempts to access such information, whichcould result in a disruption of our operations.While we have invested,and continue to invest, in technology security initiatives and other measures to prevent security breaches and cyber incidents, as wellas disaster recovery plans, these initiatives and measures may not be entirely effective to insulate us from technology disruption thatcould result in adverse effects on our results of operations and financial condition.To service our debt obligations, we will requirea significant amount of cash. However, our ability to generate cash depends on many factors beyond our control. Our ability to make paymentson, and to refinance, our debt obligations and to fund capital expenditures, will depend on our ability to generate cash in the future,which, in turn, is subject to general economic, financial, competitive, regulatory and other factors, many of which are beyond our control.Our business may not generatesufficient cash flow from operations, and we may not have available to us future borrowings in an amount sufficient to enable us to payour debt obligations or to fund our other liquidity needs. In these circumstances, we may need to refinance all or a portion of our debtobligations on or before maturity. We may not be able to refinance any of our debt obligations, on commercially reasonable terms, or atall. Without this financing, we could be forced to sell assets or secure additional financing to make up for any shortfall in our paymentobligations under unfavorable circumstances. However, we may not be able to secure additional financing on terms favorable to us or atall and, in addition, the agreements governing our debt obligations limit our ability to sell assets. In addition, we may not be ableto sell assets quickly enough or for sufficient amounts to enable us to meet our obligations.Â 8Â   Â   Our cash and cash equivalents may be exposed tobanking institution risk.Â We hold our cash balances witha single financial institution which institution is subject to risks, which may include failure or other circumstances that limit ouraccess to deposits or other banking services. For example, in March 2023, Silicon Valley Bank (â€œSVBâ€) was unable to continuetheir operations and the Federal Deposit Insurance Corporation (â€œFDICâ€) was appointed as receiver for SVB. However, if similarfailures in financial institutions occur where we hold deposits, we could experience additional risk. Any such loss or limitation on ourcash and cash equivalents would adversely affect our business.Â In addition, in such circumstanceswe might not be able to receive timely payment from customers. We and they may maintain cash balances that are not insured or are in excessof the FDICâ€™s insurance limit. Any delay in ours or our customersâ€™ ability to access funds could have a material adverse effecton our operations. If any parties with which we conduct business are unable to access funds pursuant to such instruments or lending arrangementswith such a financial institution, such partiesâ€™ ability to continue to fund their business and perform their obligations to uscould be adversely affected, which, in turn, could have a material adverse effect on our business, financial condition and results ofoperations.Â We periodically invest surplus cash in marketablesecurities and other investments in order to realize a positive return, although there can be no assurance that a positive return willbe realized, and we could lose some or all of our investments, which could adversely affect our financial condition and results of operation.Â We invest a significant portionof our excess capital in marketable securities, including equity securities of publicly traded companies. At June 30, 2024, the fair valueof our investments was approximately $5.8 million. Of that amount $3.2 million relates to an investment in Monogram Technologies, Inc.,formerly Monogram Orthopaedics Inc. (â€œMonogramâ€), described more fully in Note 4 to the consolidated financial statementscontained elsewhere in this report. While we intend to hold our investments, including our investment in Monogram, until such time aswe believe it is appropriate to sell them in accordance with our overall investment policy, we may have unexpected cash requirements thatcould necessitate the sale of some or all of these investments for a loss. Additionally, these investments are subject to changes in theirvaluation, and are recorded at their estimated fair value at each measurement date, with unrealized gains and losses presented in otherincome (expense) in our consolidated income statements, which can result in material upward or downward non-cash adjustments to our incomefrom quarter-to-quarter.Â Our operations are dependent upon our key personnel.If such personnel were to leave unexpectedly, we may not be able to execute our business plan.Our future performance dependsin significant part upon the continued service of our key technical and senior management personnel. Because we have a relatively smallnumber of employees when compared to other companies in the same industry, our dependence on maintaining our relationship with key employeesis particularly significant. We are also dependent on our ability to attract and retain high quality personnel, particularly in the areasof product development, operations management, marketing and finance.A high level of employeemobility and the aggressive recruiting of skilled personnel characterize the medical device industry. There can be no assurance that ourcurrent employees will continue to work for us. Loss of services of key employees could have a material adverse effect on our business,results of operations, and financial condition. Furthermore, we may need to provide enhanced forms of incentive compensation to attractand retain such key personnel, which could potentially dilute the holdings of other shareholders.We may not be able to successfully integrate our business acquisitions,which could adversely affect our business, financial condition, and results of operations. We have acquired, and mayacquire in the future, businesses, products, and technologies that complement or expand our current operations. Acquisitions could requiresignificant capital investments and require us to integrate with companies that have different cultures, management teams, and businessinfrastructure. Depending on the size and complexity of an acquisition, our successful integration of the acquisition could depend onseveral factors, including:Â   Â   â€¢ Â   Difficulties in assimilating and integrating the operations, products, and workforce of an acquired business; Â   â€¢ Â   The retention of key employees; Â   â€¢ Â   Management of facilities and employees in separate geographic areas; Â   â€¢ Â   The integration or coordination of different research and development and product manufacturing facilities; Â   â€¢ Â   Successfully converting information and accounting systems; and Â   â€¢ Â   Diversion of resources and management attention from our other operations. Â   9Â   Â   If market conditions orother factors require us to change our strategic direction, we may fail to realize the expected value from one or more of our acquisitions.Our failure to successfully integrate any future acquisitions or realize the expected value from past or future acquisitions could harmour business, financial condition, and results of operations.Â We have experienced losses in the past, and we cannot be certain thatwe will sustain our current profitability; we may need additional capital in the future to fund our businesses, which we may not be ableto obtain on acceptable terms. Â Â Â Â Â We have experienced operatinglosses in the past. Our ability to achieve or sustain profitability is based on a number of factors, many of which are out of our control,including the material costs for our products and the demand for our products.Â We currently anticipate that ouravailable capital resources, including our existing cash and cash equivalents and accounts receivable balances, will be sufficient tomeet our expected working capital and capital expenditure requirements as our business is currently conducted for at least the next 12Â months.However, if our available capital resources become insufficient, we may attempt to raise additional funds through public or private debtor equity financings, if such financings become available on acceptable terms. We cannot be certain that any additional financing we mayneed will be available on terms acceptable to us, or at all. If adequate funds are not available or are not available on acceptable terms,we may not be able to take advantage of opportunities, develop new products, or otherwise respond to competitive pressures, and our operatingresults and financial condition could be adversely affected.Risks Related to Ownership of Our CommonStockTwo of our directors hold voting power withrespect to a substantial portion of our outstanding common stock that enables them to have significant influence over the outcome of allmatters submitted to our shareholders for approval, which influence may conflict with our interests and the interests of other shareholders.As of August 20, 2024, twoof our directors, Nicholas J. Swenson and Raymond E. Cabillot, directly or indirectly, controlled voting power over approximately 42%(31% and 11%, respectively) of the outstanding shares of our common stock. As a result of such voting control, these directors will havesignificant influence over all matters submitted to our shareholders for approval, including the election of our directors and other corporateactions, and may have interests that conflict with our interests and the interests of other shareholders.Our quarterly results can fluctuate significantlyfrom quarter to quarter, which may negatively impact the price of our shares and/or cause significant variances in the prices at whichour shares trade.Our sales have fluctuatedin the past, and may fluctuate in the future from quarter to quarter and period to period, as a result of a number of factors, including,without limitation: the size and timing of orders from customers; the length of new product development cycles; market acceptance of newtechnologies; changes in pricing policies or price reductions by us or our competitors; the timing of new product announcements and productintroductions by us or our competitors; the financial stability of major customers; our success in expanding our sales and marketing programs;acceleration, deferral, or cancellation of customer orders and deliveries; changes in our strategy; revenue recognition policies in conformitywith accounting principles generally accepted in the United States (â€œU.S. GAAPâ€); personnel changes; and general market andeconomic factors.Because a significant percentageof our expenses are fixed, a variation in the timing of sales can cause significant fluctuations in operating results from quarter toquarter. As a result, we believe that interim period-to-period comparisons of our results of operations are not necessarily meaningfuland should not be relied upon as indications of future performance. Further, our historical operating results are not necessarily indicativeof future performance for any particular period.In addition, it is possiblethat our operating results in future quarters may be below the expectations of public market analysts and investors. In such an event,the price of our common stock could be materially adversely affected.Â Â 10Â Â Regulatory & Compliance RisksOur operations are subject to a number ofcomplex government regulations, the violation of which could have a material adverse effect on our business.The manufacture and distributionof medical devices are subject to state and federal requirements set forth by various government agencies including the FDA and EPA. Thestatutes, regulations, administrative orders, and advisories that affect our businesses are complex and subject to diverse, often conflicting,interpretations. While we make every effort to maintain full compliance with all applicable laws and regulations, we are unable to eliminatethe ongoing risk that one or more of our activities may at some point be determined to be non-compliant. The penalties for non-compliancecould range from an administrative warning to termination of a portion of our business. Furthermore, even if we are subsequently determinedto have fully complied with applicable laws or regulations, the costs to achieve such a determination and the intervening loss of businesscould adversely affect or result in the cessation of a portion of our business. A change in such laws or regulations at any time may havean adverse effect on our operations.The FDA designates all medicaldevices into one of three classes (Class I, II, or III) based on the level of control necessary to assure the safety and effectivenessof the device (with Class I requiring the lowest level of control and Class III requiring the greatest level of control). The surgicalinstrumentation we manufacture is generally classified into Class I. The FDA has broad enforcement powers to recall and prohibit the saleof products that do not comply with federal regulations and to order the cessation of non-compliant processes. No claim has been madeto date by the FDA regarding any of our products or processes. Nevertheless, as is common in the industry, certain of our products andprocesses are from time to time subject to routine governmental reviews and investigations. We are also subject to EPA regulations concerningthe disposal of industrial waste.While management believesthat our products and processes fully comply with applicable laws and regulations, we are unable to predict the outcome of any such futurereview or investigation.We face risks and uncertainties associatedwith potential litigation by or against us, which could have a material adverse effect on our business, financial condition, and resultsof operations.We continually face thepossibility of litigation as either a plaintiff or a defendant. It is not reasonably possible to estimate the awards or damages, or therange of awards or damages, if any, that we might incur in connection with such litigation.Many of our products arecomplex and technologically advanced.Â Such products may, from time to time, be the subject of claims concerning product performanceand construction, including warranty and patent infringement claims. While we are committed to investigating such concerns and correctingthem, there is no assurance that solutions will be found on a timely basis, if at all, to satisfy customer demands or to avoid potentialclaims or litigation. Also, due to the location of our facilities, as well as the nature of our business activities, there is a risk thatwe could be subject to litigation related to environmental remediation claims. We maintain insurance to protect against claims associatedwith the manufacture and use of our products as well as environmental pollution, but there can be no assurance that our insurance coveragewill adequately cover any claim asserted against us.The uncertainty associatedwith potential litigation may have an adverse impact on our business. In particular, litigation could impair our relationships with existingcustomers and our ability to obtain new customers. Defending or prosecuting litigation could result in significant legal costs and a diversionof managementâ€™s time and attention away from business operations, either of which could have a material adverse effect on our business,financial condition, and results of operations. There can be no assurance that litigation would not result in liability in excess of ourinsurance coverage, that our insurance will cover such claims, or that appropriate insurance will continue to be available to us in thefuture at commercially reasonable rates.Â 11Â Â The agreements governing our various debt obligationsimpose restrictions on our business and could adversely affect our ability to undertake certain corporate actions.The agreements governingour debt obligations include covenants imposing significant restrictions on our business. These restrictions may affect our ability tooperate our business and may limit our ability to take advantage of potential business opportunities as they arise. These covenants placerestrictions on our ability to, among other things:â€¢Â Â incur additional debt;â€¢ Â declareor pay dividends to shareholders;â€¢Â Â create liens or use assets as security in other transactions;â€¢Â Â be acquired by a third party;â€¢Â Â pursue strategic acquisitions;â€¢ Â engagein transactions with affiliates; andâ€¢Â Â sell or transfer assets.The agreements governingour debt obligations also require us to comply with a number of financial ratios, borrowing base requirements and additional covenants.Our ability to comply withthese covenants may be affected by events beyond our control, including prevailing economic, financial, and industry conditions. Thesecovenants could adversely affect our business by limiting our ability to take advantage of financing, merger and acquisition, or othercorporate opportunities. The breach of any of these covenants or restrictions could result in a default under our debt obligations. Ifwe were unable to repay our debt or are otherwise in default under any provision governing our secured debt obligations, our lender couldproceed against us and against the collateral (consisting of substantially all of our assets) securing that debt.We are subject to changes in and interpretations of financial accountingmatters that govern the measurement of our performance, compliance with which could be costly and time-consuming.We are subject to changesin and interpretations of financial accounting standards that govern the measurement of our performance. Based on our reading and interpretationsof relevant pronouncements, guidance, or concepts issued by, among other authorities, the Financial Accounting Standards Board, the SEC,and the American Institute of Certified Public Accountants, management believes our performance, including current sales contract termsand business arrangements, has been properly reported. However, there continue to be issued pronouncements, interpretations, and guidancefor applying the relevant standards to a wide range of contract terms and business arrangements that are prevalent in the industries inwhich we operate. Future interpretations or changes by the regulators of existing accounting standards or changes in our business practicesmay result in future changes in our accounting policies and practices that could have a material adverse effect on our business, financialcondition, cash flows, revenue, and results of operations.We have identified material weaknesses inour internal control over financial reporting. Failure to achieve and maintain effective internal control over financial reporting couldmaterially and adversely affect our business, results of operations, financial condition, and stock price.We identified material weaknessesin our internal control over financial reporting as of JuneÂ 30, 2024, and JuneÂ 30, 2023. The material weaknesses as of JuneÂ 30,2024, related to our inventory accounting and the valuation of one of our Level 2 investments. The material weakness as of JuneÂ 30,2023, related to the valuation of our LevelÂ 3 investment. As a result of these material weaknesses, as of JuneÂ 30, 2024, andJuneÂ 30, 2023, our management concluded that our internal control over financial reporting was not effective based on the frameworkin Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission.In fiscal 2024, we implementeda remediation plan designed to address our JuneÂ 30, 2023 material weakness, which was both time consuming and costly. We are activelyengaged in implementing a remediation plan designed to address the JuneÂ 30, 2024 material weaknesses. However, as with the JuneÂ 30,2023 material weakness, our remediation efforts could be both time consuming and costly. In addition, if our remedial measures are insufficientto address the material weaknesses, or if additional material weaknesses or significant deficiencies in our internal control are discoveredor occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate ourfinancial results.Even if the JuneÂ 30,2024 material weaknesses are quickly remedied, or if we or our auditors discover one or more additional material weaknesses in our internalcontrols, the marketâ€™s confidence in our financial statements could decline and our stock price may be harmed. In addition, ourfailure to maintain effective controls over financial reporting could subject us to sanctions or investigations by The Nasdaq Stock Market,the SEC, or other regulatory authorities.Â Our evaluation of internal controls and remediationof potential problems is costly and time-consuming and could expose weaknesses in financial reporting.Section 404 of the Sarbanes-OxleyAct of 2002, as amended, requires managementâ€™s assessment of the effectiveness of our internal control over financial reporting.This process is expensive and time consuming and requires significant attention of management. Management can give no assurance that materialweaknesses in internal controls will not be discovered (see above, â€œWe have identified material weaknesses in our internal controlover financial reporting. Failure to achieve and maintain effective internal control over financial reporting could materially and adverselyaffect our business, results of operations, financial condition, and stock price.â€). We cannot be certain that a future materialweakness will not occur and that it will not be time consuming and costly to remediate and could further divert the attention of management.The disclosure of a material weakness, even if quickly remedied, could reduce the marketâ€™s confidence in our financial statementsand harm our stock price, especially if a restatement of financial statements for past periods is required.Â 12Â Â General RisksThe global economic environment may impactour business, financialÂ condition, and results of operations.Changes in the global economicenvironment have caused, and may cause in the future, a general tightening in the credit markets, lower levels of liquidity, increasesin rates of default and bankruptcy, high rates of inflation, higher interest rates, and extreme volatility in credit, equity and fixedincome markets. These macroeconomic developments could negatively affect our business, operating results or financial condition shouldthey cause, for example, current or potential customers to become unable to fundÂ purchases of our products, in turn resulting indelays, decreases or cancellations of purchases of our products and services, or causing the customer to not pay us or to delay payingus for previously purchased products and services. In addition, financial institution failures may cause us to incur increased expensesor make it more difficult either to obtain financing for our operations, investing activities (including the financing of any future acquisitions),or financing activities. Additional economic risks and uncertainties not currently known to us or that we currently deem to be immaterialalso may materially and adversely affect our business, financial condition, and results of operations.ITEM 1B.UNRESOLVED STAFF COMMENTSNone.ITEM 1C.CYBERSECURITYRisk management and strategyÂ We have implemented and maintainvarious information security processes in accordance with our business designed to identify, assess, manage and protect against materialrisks from cybersecurity threats to our critical computer networks, communication systems, hardware and software, and our critical data,including intellectual property and confidential information.Â Depending on the environment,we implement and maintain various technical, physical and organizational measures, processes, and policies designed to manage and mitigatematerial risks from cybersecurity threats to our information systems and data, including, for example, incident detection and responseplans; disaster recovery and business continuity plans; maintaining network security and access controls; asset management; monitoringcertain of our systems and network; cybersecurity insurance; and training our employees about certain cybersecurity risks and threats.Â We currently engage third partyinformation technology partners to design and manage our information security processes and system. Working with our outsourced securityteam, our Chief Financial Officer manages the risk assessment and mitigation process. We have budgeted to add information technology staffto our organization to increase our in-house expertise in this area. As we grow, we plan to develop a more robust and detailed strategyfor cybersecurity.Â GovernanceÂ Cybersecurity risks are overseenby the full Board of Directors and the Audit Committee as part of their regular oversight. Members of the Board and Audit Committee areencouraged to engage in ad hoc conversations with management on cybersecurity related updates to our risk management and strategy. Cybersecurityincidents are reported to the Chief Financial Officer to determine incident severity and response. In an effort to deter and detect cyberthreats, we also provide all employees with access to digital assets with an ongoing cybersecurity awareness training program, which furthereducates employees and covers timely and relevant topics, including phishing, password protection, asset use and mobile security.Â Risks from cybersecurity threatsÂ To date, we have not identifiedany cybersecurity incidents or threats that have materially affected us, or are reasonably likely to materially affect us, including ourbusiness strategy, results of operations, or financial condition. However, like many companies in our industry, we face numerous and evolvingcybersecurity threats that could adversely affect our business. For more information about the risks from cybersecurity threats that maymaterially affect us and how they may do so, see our risk factors under Part 1 Item 1A Risk Factors contained elsewhere in this report.Â Â 13Â Â ITEM 2.PROPERTIESOur executive offices andmanufacturing facility are located at 2361 McGaw Avenue, Irvine, California 92614. We lease the 28,000 square foot facility from an unrelatedthird party at a current base monthly lease rate of approximately $44,000 with 3% annual escalations through the expiration of the leasein September 2027. The building is a one-story, stand-alone structure of concrete â€œtilt-upâ€ construction, approximately 45years old and in good condition.Our Franklin Property, locatedat 14401 Franklin Avenue, Tustin, California 92780, is used primarily for our assembly and repairs operations. We purchased this 25,000square foot facility in November 2020 from an unrelated third party, with the majority of the purchase price financed by a property loan(See Notes 4 and 7 of to the consolidated financial statements contained elsewhere in this report). The building is a one-story, stand-alonestructure of concrete â€œtilt-upâ€ construction, approximately 45 years old and in good condition.We believe that our facilitiesare adequate for our current and expected future needs and are in full compliance with applicable state, EPA and other agency environmentalstandards.ITEM 3.LEGAL PROCEEDINGSSeeNote 9 to the consolidated financial statements contained elsewhere in this report.ITEM 4.MINE SAFETY DISCLOSURESNot applicable.Â Â 14Â Â PART IIITEM 5.MARKET FOR REGISTRANTâ€™S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIESMarket InformationOur common stock is quotedunder the symbol â€œPDEXâ€ on the Nasdaq Capital Market (â€œNASDAQâ€). The following table sets forth for the quartersindicated the high and low sales prices of our common stock as reported by NASDAQ. The quotations reflect inter-dealer prices, withoutretail markup, markdown, or commissions, and may not necessarily represent actual transactions. On September 3, 2024, the last sale priceof our common stock as reported by NASDAQ was $22.33 per share. Â Â HighÂ Â LowÂ Year ended June 30, 2024:Â Â Â Â Â Â Â Â First Quarter Â $18.94Â Â $15.52Â Second Quarter Â Â 18.63Â Â Â 14.63Â Third Quarter Â Â 22.50Â Â Â 16.50Â Fourth Quarter Â Â 19.95Â Â Â 17.55Â Year ended June 30, 2023:Â Â Â Â Â Â Â Â First Quarter Â $20.25Â Â $14.94Â Second Quarter Â Â 19.93Â Â Â 15.80Â Third Quarter Â Â 17.71Â Â Â 15.29Â Fourth Quarter Â Â 19.24Â Â Â 15.50Â Â HoldersAs of September 3, 2024,there were 122 holders of record of our common stock. This number does not include beneficial owners including holders whose shares areheld in nominee, or â€œstreet,â€ name.DividendsWe have never paid a cashdividend with respect to our common stock. The current policy of our Board of Directors is to retain any future earnings to provide fundsfor the operation and expansion of our business or for repurchases of our common stock pursuant to our repurchase plans. Any determinationsto pay dividends in the future will be at the discretion of our Board of Directors. In addition, our current credit facilities containcovenants that prohibit us from paying dividends. 15Â Â Â RepurchasesDuringthe fourth quarter of fiscal 2024 and 2023, we repurchased 88,011 and 0 shares of our common stock, respectively, at an aggregate costof $1.7 million and $0, respectively, through Board approved prearranged share repurchase plans intended to qualify for the safe harborunder Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the â€œExchange Actâ€). PeriodÂ Â Total Number of Shares Purchased(1)Â Â Average Price Paid per Share(1)Â Â Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)Â Â Maximum Number of Shares that May Yet Be Purchased Under the Plans or ProgramsÂ (1)Â Â April 1, 2024 to April 30, 2024Â Â Â 32,334Â Â $18.47Â Â Â 32,334Â Â Â 499,707Â Â May 1, 2024 to May 31, 2024Â Â Â 38,162Â Â $19.17Â Â Â 38,162Â Â Â 461,545Â Â June 1, 2024 to June 30, 2024Â Â Â 17,515Â Â $19.79Â Â Â 17,515Â Â Â 444,030Â Â TotalÂ Â Â 88,011Â Â $19.04Â Â Â 88,011Â Â Â Â Â (1)Â Â Â Â Â Â Â InDecember 2019, we announced that our Board of Directors authorized the repurchase of up to one million shares of our outstanding commonstock. The extent to which we repurchase our shares, and the timing of such repurchases is at our discretion and will depend upon a varietyof factors, including working capital requirements, market conditions, legal requirements, business condition, and other factors. Ourrepurchase program has no stated expiration and may be discontinued at any timeITEM 6.RESERVEDÂ Â 16Â Â ITEM 7.MANAGEMENTâ€™S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONSÂ The following discussionof our financial condition and results of operations should be read in conjunction with our consolidated financial statements and thenotes thereto contained elsewhere in this report, as well as the Risk Factors included in Item 1A of this report. The following discussioncontains forward-looking statements. (See â€œCautionary Note Regarding Forward-Looking Statementsâ€ included in Part I of thisreport.)OverviewThe following discussion and analysisprovides information that management believes is relevant to an assessment and understanding of our results of operations and financialcondition for the fiscal years ended June 30, 2024 and 2023.Â We specialize in the design, development,and manufacture of autoclavable, battery-powered and electric, multi-function surgical drivers and shavers used primarily in the orthopedic,thoracic, and CMF markets.Â Additionally, we provide engineering, quality, and regulatory consultingservices to our customers. We also sell rotary air motors. Our products are found in hospitals, medical engineering labs, scientificresearch facilities, and high-tech manufacturing operations around the world. We are headquartered in Irvine, California.Â Critical Accounting Policies and EstimatesOur consolidated financialstatements are prepared in accordance with U.S. GAAP. The preparation of our financial statements requires management to make estimatesand judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures. We base our estimateson historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of whichform the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.Actual results may differ from these estimates.Â Revenue RecognitionÂ Under Accounting Standards Update(â€œASUâ€) 2014-09, (Topic 606) â€œRevenue From Contracts with Customers,â€ we recognize revenue from the salesof products and services by applying the following steps: (1) identify the contract with a customer; (2) identify the performance obligationsin the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract;and (5) recognize revenue when each performance obligation is satisfied. We primarily sell finished products and recognize revenue atpoint of sale or delivery. However, we also perform services when we are engaged to design a product for a customer and there is morejudgment involved in determining the amount and timing of revenue recognition under those types of contracts. In fiscal 2024, the revenuefrom NRE and prototype services represents approximately 1% of total revenue.Returns of our product forcredit are not material; accordingly, we do not establish a reserve for product returns at the time of sale.Estimated Losses on Product Development ServicesCostand revenue estimates related to the product development service portions of development and supply contracts are reviewed and updatedquarterly. An expected loss on development service contracts is recognized immediately in cost of sales. Losses recorded in fiscal 2024and 2023 related to these services totaled $118,000 and $108,000, respectively.Dueto the complexity of many of the contracts we have undertaken, the cost estimation process requires significant judgment. It is basedupon the knowledge and experience of our project managers, engineers, and finance professionals. Factors that are considered in estimatingthe cost of work to be completed and ultimate profitability of the fixed price product development portion of development and supply contractsinclude the nature and complexity of the work to be performed, availability and productivity of labor, the effect of change orders, theavailability of materials, performance of subcontractors, and expected costs for specific regulatory approvals. 17Â Â WarrantiesMost of our products aresold with a warranty that provides for repairs or replacement of any defective parts for a period, generally one to two years, after thesale. At the time of the sale, we accrue an estimate of the cost of providing the warranty based on prior experience with such factorsas return rates and repair costs, which factors are reviewed quarterly.Warranty expenses, includingchanges of estimates, are included in cost of sales in our statements of operations.InventoriesInventories are statedat the lower of cost (first-in, first-out method) or net realizable value. Reductions to estimated net realizable value are recorded,and charged to cost of sales, when indicated based on a formula that compares on-hand quantities to both historical usage and estimateddemand from the measurement date.Accounts Receivable Trade receivables are statedat their original invoice amounts, less an allowance for credit losses. Management determines the allowance for credit losses based onfacts and circumstances related to specific accounts, and on historical experience related to the age of accounts. Trade receivables arewritten off when deemed uncollectible. Recoveries of trade receivables previously reserved are offset against the allowance when received.Deferred CostsDeferred costs reflectcosts incurred related to NRE services under the terms of the related development and supply contracts. These costs get recorded to costof sales in the period that the revenue is recognized.InvestmentsInvestments consistof marketable equity securities of publicly held companies and, as of June 30, 2023, a warrant (the â€œMonogram Warrantâ€) topurchase common stock of a publicly held company (which we exercised in the second quarter of fiscal 2024). The investments were madeto realize a reasonable return, although there is no assurance that positive returns will be realized. Investments are marked to marketat each measurement date, with unrealized gains and losses presented in other income (expense) in our consolidated income statements.Some of our investments include the common stock of public companies that are thinly traded. Certain of these investments are classifiedas long-term in nature, as we may not be able to liquidate the investments in a timely manner even if we wish to sell them. All of ourinvestments were subject to a valuation analysis as of June 30, 2024 and 2023.Â Long-lived Assets We review the recoverabilityof long-lived assets, consisting of building, equipment, and improvements, when events or changes in circumstances occur that indicatecarrying values may not be recoverable.Building, equipment, andimprovements are recorded at historical cost and depreciation is provided using the straight-line method over the following periods: Â Â Building Thirty years Equipment Three to ten years Improvements Shorter of the remaining life of the underlying building, lease term, or the assetâ€™s estimated useful life Â 18Â Â IntangiblesOtherintangibles consist of legal fees incurred in connectionwith patent applications. The legal fees will be amortized over the estimated life of the product(s) that will be utilizing the technologyor expensed immediately in the event the patent office denies the issuance of the patent. The expense associated with the amortizationof the patent costs is recognized in research and development costs.Income TaxesWe recognize deferred taxassets and liabilities for temporary differences between the financial reporting basis and the tax basis of our assets and liabilities,along with net operating loss and tax credit carryovers. Deferred tax assets and liabilities at June 30, 2024 and 2023 consisted primarilyof basis differences related to unrealized gain/loss related to investments, stock-based compensation, fixed assets, accrued expensesand inventories. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.Significant management judgmentis required in determining our provision for income taxes and the recoverability of our deferred tax assets. Such determination is basedon our historical taxable income, with consideration given to our estimates of future taxable income and the periods over which deferredtax assets will be recoverable. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negativeevidence, including reversals of deferred tax liabilities, projected future taxable income, and results of recent operations. The assumptionsabout future taxable income require significant judgment and are consistent with the plans and estimates we are using to manage the underlyingbusiness. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income(loss).Â Results of Operations for the Fiscal Year EndedJune 30, 2024 Compared to the Fiscal Year Ended June 30, 2023Â The following tables setforth results from operations for the fiscal years ended June 30, 2024 and 2023: Â Â Years Ended June 30,Â Â Â 2024Â Â 2023Â Â Â Dollars in thousandsÂ Â Â Â Â Â % of Net SalesÂ Â Â Â Â % of Net SalesÂ Net sales Â $53,844Â Â Â 100%Â $46,087Â Â Â 100% Cost of sales Â Â 39,293Â Â Â 73%Â Â 33,338Â Â Â 72% Gross profit Â Â 14,551Â Â Â 27%Â Â 12,749Â Â Â 28% Selling expenses Â Â 117Â Â Â â€"Â Â Â 155Â Â Â â€"Â Â Â Â General and administrative expenses Â Â 4,072Â Â Â 8%Â Â 4,028Â Â Â 9% Â Â Â Research and development costs Â Â 3,189Â Â Â 6%Â Â 2,804Â Â Â 6% Â Â Total operating expenses Â Â 7,378Â Â Â 14%Â Â 6,987Â Â Â 15% Â Â Operating income Â Â 7,173Â Â Â 13%Â Â 5,762Â Â Â 13% Â Â Other income (expense), net Â Â (4,539)Â Â (8%)Â Â 3,666Â Â Â 7% Â Â Income before income taxes Â Â 2,634Â Â Â 5%Â Â 9,428Â Â Â 20% Income tax expense Â Â 507Â Â Â 1%Â Â 2,354Â Â Â 5% Â Â Â Net income Â $2,127Â Â Â 4%Â $7,074Â Â Â 15% Â 19Â Â Net SalesThemajority of our revenue is derived from designing, developing, manufacturing and\ repairingpowered surgical instruments for medical device original equipment manufacturers. We also manufactureand sell rotary air motors to a wide range of industries. The proportion of total sales by product/servicetype is as follows:Â Â Â Years Ended June 30,Â Â Increase (Decrease) From 2023 Â Â Â 2024Â Â 2023Â Â To 2024Â Â Â Dollars in thousandsÂ Â Â Â Â Â Â Â Â % of Net SalesÂ Â Â Â Â % of Net SalesÂ Â Â Â Net sales:Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Medical devices Â $36,979Â Â Â 69%Â $30,740Â Â Â 66%Â Â 20% Â Â Â Industrial and scientific Â Â 765Â Â Â 1%Â Â 865Â Â Â 2%Â Â (12%) Â Â Â NRE & Prototype services Â Â 786Â Â Â 1%Â Â 2,695Â Â Â 6%Â Â (71%) Â Â Â Dental and component Â Â 201Â Â Â â€"Â Â Â 257Â Â Â 1%Â Â (22%) Â Â Â Repairs Â Â 16,505Â Â Â 31%Â Â 12,617Â Â Â 27%Â Â 31% Â Â Â Discounts & Other Â Â (1,392)Â Â (2%)Â Â (1,087)Â Â (2%)Â Â 28% Â Â $53,844Â Â Â 100%Â $46,087Â Â Â 100%Â Â 17% Â Netsales in fiscal 2024 increased by $7.8 million, or 17%, as compared to fiscal 2023, due primarily to an increase in repair revenue of$3.9 million and an increase in medical device revenue of $6.2 million offset by a decrease in NRE and prototype services of $1.9 million.Details of our medical device sales by type is as follows: Â Â Years Ended June 30,Â Â Increase (Decrease) From 2023 Â Â Â 2024Â Â 2023Â Â To 2024Â Â Â Dollars in thousandsÂ Â Â Â Â Â Â Â Â % of TotalÂ Â Â Â Â % of TotalÂ Â Â Â Medical device sales:Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â OrthopedicÂ Â 23,630Â Â Â 64%Â Â 19,688Â Â Â 64%Â Â 20% Â Â Â CMF Â Â 10,334Â Â Â 28%Â Â 8,497Â Â Â 28%Â Â 22% Â Â Â ThoracicÂ Â 3,015Â Â Â 8%Â Â 2,555Â Â Â 8%Â Â 18% Total Â Â 36,979Â Â Â 100%Â Â 30,740Â Â Â 100%Â Â 20% Salesof our medical device products increased $6.2 million, or 20%, during fiscal 2024 as compared to fiscal 2023. During fiscal 2024, thoracicsales increased by $460,000 to $3.0 million, up from $2.6 million in fiscal 2023, due to a product launch for a second distributor inthe first quarter of fiscal 2024. Recurring revenue from distributors of CMF drivers increased $1.8 million in fiscal 2024 comparedto fiscal 2023. We do not have much visibility into our customersâ€™ distribution networks, but we surmise the increase relates toa replenishment of customer inventory. Our orthopedic sales increased $3.9 million in fiscal 2024 compared to fiscal 2023, due to continueddemand from our largest customer.Salesof our industrial and scientific products, which consist primarily of our compact pneumatic airmotors, decreased $100,000, or 12%, for fiscal 2024 compared to fiscal 2023. The revenue decrease is expected as these are legacy productswith no substantive marketing or sales efforts.Salesof our NRE & prototype services decreased $1.9 million or 71% compared to fiscal 2023 and relates to a reduction in the number ofbillable engagements during fiscal 2024 compared to fiscal 2023. 20Â Â Salesof our dental products and components in fiscal 2024 decreased $56,000, or 22%, as compared to fiscal 2023. The decrease is as expectedand we expect future declines in this area as we are no longer manufacturing dental products, but rather are simply selling remainingcomponent inventory. Ourfiscal 2024 repair revenue increased approximately $3.9 million, or 31%, to $16.5 million, as compared to fiscal 2023, due to increasedrepairs of the orthopedic handpiece we sell to our largest customer. We expected repair revenue to increase based upon the customerâ€™srequested refurbishments to upgrade previously purchased handpieces to the next generation, which we collectively term â€œenhancedrepairsâ€. We are rapidly refurbishing these handpieces and we believe that our largest customer will request enhanced repairs fora similar volume or number of handpieces in fiscal 2025; however, there are no assurances as to the number of enhanced repairs that willultimately be requested from this client in fiscal 2025 or thereafter. At JuneÂ 30, 2024, wehad a backlog of $19.8 million compared with a backlog of $41.6 million at June 30, 2023. Our backlog represents firm purchase ordersreceived and acknowledged from our customers and does not include all revenue expected to be generated from existing customer contracts.Substantially all of our backlog at June 30, 2024, as well as certain purchase orders received subsequent to June 30, 2024, are expectedto be delivered during fiscal 2025. We have experienced, and may continue to experience, variability in our new order bookings due to,among other reasons, the launch of new products, the timing of customer orders based on end-user demand, and customer inventory levels.We do not expect a reduction in fiscal 2025 revenue as compared to fiscal 2024 revenue and believe that the decline in backlog at June30, 2024 compared to June 30, 2023 is related to timing of customer orders, although there can be no assurance that there will not bea decline in future revenue. Additionally, $10.2 million of our backlog at June 30, 2023 related to orders expected to be delivered infiscal 2025. We do not typically experience seasonal fluctuations in our shipments and revenues.Â Cost of Sales and Gross MarginÂ Â Â Years Ended June 30,Â Â Increase (Decrease) From 2023Â Â Â 2024Â Â 2023Â Â To 2024Â Â Â Dollars in thousandsÂ Â Â Â Cost of sales:Â Â Â Â % of Net SalesÂ Â Â Â Â % of Net SalesÂ Â Â Â Product costs Â $38,121Â Â Â 71%Â $29,600Â Â Â 64%Â Â 29% Â Â Â Â NRE and Prototype services costs Â Â 802Â Â Â 1%Â Â 1,724Â Â Â 4%Â Â (54%) Â Â Â Â Under (over)-absorption of manufacturing overhead Â Â (74)Â Â â€"Â Â Â 1,724Â Â Â 4%Â Â (104%) Inventory and warranty charges Â Â 444Â Â Â 1%Â Â 290Â Â Â â€"Â Â Â 53% Total cost of sales Â $39,293Â Â Â 73%Â $33,338Â Â Â 72%Â Â 18% Â Cost of sales in fiscal 2024 increased$6.0 million, or 18%,Â from fiscal 2023, primarily due to the increase in product costs, consistent with the 17% increase in net sales.During fiscal 2024, we experienced $74,000 of over-absorption of manufacturing costs compared to $1.7 million of under-absorption in fiscal2023, due primarily to an increase in our standard labor and overhead rate recorded in the fourthquarter of fiscal 2024. Costs related to inventory and warranty charges increased $154,000 in fiscal 2024 compared to fiscal 2023,primarily due to increased inventory reserves.Â 21Â Â Operating Expenses Â Â Years Ended June 30,Â Â Increase (Decrease) From 2023Â Â Â 2024Â Â 2023Â Â To 2024Â Â Â Dollars in thousandsÂ Â Â Â Â Â Â Â % of Net SalesÂ Â Â Â Â % of Net SalesÂ Â Â Â Operating expenses:Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Selling expenses Â $117Â Â Â â€"Â Â $155Â Â Â â€"Â Â Â (25%) General and administrative expenses Â Â 4,072Â Â Â 8%Â Â 4,028Â Â Â 9%Â Â 1% Research and development costs Â Â 3,189Â Â Â 6%Â Â 2,804Â Â Â 6%Â Â 14% Â Â $7,378Â Â Â 14%Â $6,987Â Â Â 15%Â Â 6% Â Selling expenses consistof salaries and other personnel-related expenses related to our business development department, as well as trade show attendance, advertisingand marketing expenses, and travel and related costs incurred in generating and maintaining customer relationships. Selling expenses decreased$38,000, or 25%, compared to fiscal 2023, primarily due to decreased sales commissions in the amount of $74,000 offset by increased recruitingand advertising of $20,000 and $10,000, respectively.General and administrativeexpenses (â€œG&Aâ€) consist of salaries and other personnel-related expenses for corporate, accounting, finance, and humanresource personnel, as well as costs for outsourced information technology services, professional fees, directorsâ€™ fees, and costsassociated with being a public company. The $44,000 increase in G&A expenses from fiscal 2023 to 2024 is due primarily to increasedaudit and consulting fees in the amount of $323,000 and increased recruiting fees of $100,000 offset by reduced patent related legal feesof $233,000 and non-cash compensation expense related to stock compensation in the amount of $161,000 due primarily to forfeitures causedby employee turnover.Research and developmentcosts generally consist of salaries, employer-paid benefits, and other personnel- related costs of our engineering and support personnel,as well as allocated facility and information technology costs, professional and consulting fees, patent-related fees, lab costs, materials,and travel and related costs incurred in the development and support of our products. Fiscal 2024 research and development costs increased$385,000 from fiscal 2023 due to increased spending on internal product development projects of $82,000 as well as reduced billable projectexpenditures which get reclassified to cost of sales. The majority of our research and development expenditures incurred in fiscal 2024and 2023 relates to our sustaining activities related to products we currently manufacture and sell. As we introduce new products intothe market, we expect to see an increase in sustaining and other engineering expenses. Typical examples of sustaining engineering activitiesinclude, but are not limited to, end-of-life component replacement, especially in electronic components found in our printed circuit boardassemblies, analysis of customer complaint data to improve process and design, replacement and enhancement of tooling and fixtures usedin the machine shop, assembly operations, and inspection areas to improve efficiency and through-put.Other Income (Expense)Â Interest and Dividend IncomeÂ Our interest and dividend incomeearned in fiscal 2024 and 2023 includes income earned from our interest-bearing money market accounts and portfolio of equity investments.Â Unrealized gain (loss)on investmentsThe unrealized gain (loss) oninvestments relates to our investment portfolio. Additional information related to the nature of our investments is more fully describedin Note 4 to the consolidated financial statements contained elsewhere in this report.Â Â 22Â Â Gain on Sale of InvestmentsÂ During fiscal 2024, our investmentsales were immaterial. During fiscal 2023, we liquidated some of the investments in our portfolio of equity investments receiving proceedsof $89,000 and recording a gain of $6,000.Â Interest ExpenseÂ Interest expense incurred in fiscal2024 and 2023 consists primarily of interest expense related to our debt with Minnesota Bank & Trust (â€œMBTâ€) describedmore fully in Note 7 to the consolidated financial statements contained elsewhere in this report.Â Income TaxesThe effective tax ratefor the fiscal years ended June 30, 2024 and 2023 was 19% and 25%, respectively, slightly less than our combined expected federal andapplicable state corporate income tax rates due primarily to federal and state research credits.Liquidity and CapitalResourcesThe following table is a summaryof our Statements of Cash Flows and Cash and Working Capital as of and for the fiscal years ended June 30, 2024 and 2023:Â Â Â As of and for the Years Ended June 30,Â Â Â 2024Â Â 2023Â Â Â (In thousands)Â Cash provided by (used in):Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Operating activitiesÂ $6,199Â Â $5,462Â Â Â Â Â Â Â Â Investing activitiesÂ $(2,233)Â $(885) Â Â Â Â Â Â Â Financing activitiesÂ $(4,271)Â $(2,490) Â Â Â Â Â Â Â Â Â Cash, cash equivalents and working capital:Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Cash and cash equivalentsÂ $2,631Â Â $2,936Â Â Â Â Â Â Â Â Working capitalÂ $23,719Â Â $21,303Â Â Cash Flows from Operating ActivitiesCash provided byoperating activities totaled $6.2 million during fiscal 2024. Our net income was $2.1 million, which includes $4.1 million ofunrealized losses on certain equity investments, as well as non-cash stock compensation expense and depreciation and amortizationexpense in the amount of $605,000 and $1.2 million, respectively. Additionally, our accounts payable and accrued expenses increasedby $2.4 million and our inventory decreased by

$898,000. Offsetting these inflows of cash, our accounts receivable and deferred taxassets grew by $3.9 million and $1.6 million, respectively.Cash provided by operatingactivities during fiscal 2023 totaled $5.5 million. Our net income was $7.1 million, which includes $3.9 million of unrealized gains oncertain equity investments, as well as $857,000 of depreciation and amortization and $766,000 of non-cash stock compensation. Additionally,our accounts receivable decreased by $5.4 million due to the variability in the timing of shipments and our prepaid expenses and deferredincome taxes decreased by $494,000 and $264,000, respectively. Offsetting this net inflow of cash, inventory increased by $3.5 millionand our accounts payable and accrued expenses and deferred revenue decreased by $1.1 million and $1.0 million, respectively. 23Â Â Cash Flows from Investing ActivitiesNet cash used in investingactivities in fiscal 2024 was $2.2 million and related to the exercise of the Monogram Warrant for cash in the amount of $1,250,000 (SeeNote 4 to the consolidated financial statements contained elsewhere in this report) as well as equipment and improvements purchases inthe amount of $983,000.Net cash used in investingactivities in fiscal 2023 was $885,000. During the 2023 fiscal year, we made capital expenditures in the amount of $974,000 primarilyfor the Franklin Property and we received proceeds of $89,000 from the sales of marketable equity securities.Cash Flows from Financing ActivitiesNet cash used in financingactivities for fiscal 2024 totaled $4.3 million and related primarily to the $3.5 million repurchase of 184,901 shares of our common stockpursuant to our share repurchase program, as well as $816,000 of net principal payments related to our various loans from MBT more fullydescribed in Note 7 to the consolidated financial statements contained elsewhere in this report.Net cash used in financingactivities for fiscal 2023 totaled $2.5 million and included $809,000 in net principal payments of various notes payable to MBT, and $1.5million related to the repurchase of 86,422 shares of our common stock pursuant to our share repurchase program, as well as payment of$223,000 of employee payroll taxes related to the award of 37,500 shares of common stock to employees under previously granted performanceawards.Liquidity Requirements for the Next 12 MonthsÂ Â As of June 30, 2024, ourworking capital was $23.7Â million. We currently believe that our existing cash and cash equivalent balances, together with our accountreceivable balances, and anticipated cash flows from operations will provide us sufficient funds to satisfy our cash requirements as ourbusiness is currently conducted for at least the next 12Â months. In addition to our cash and cash equivalent balances, we expectto derive a portion of our liquidity from our cash flows from operations. We may also liquidate some or all of our investment portfolioor borrow against our revolving loan with MBT (See Notes 7 and 14 to consolidated financial statements contained elsewhere in this report),under which we had availability of $4.0 million as of June 30, 2024.Â We are focused on preserving ourcash balances by monitoring expenses, identifying cost savings, and investing only in those development programs and products that webelieve will most likely contribute to our profitability. As we execute our current strategy, however, we may require debt and/or equitycapital to fund our working capital needs and requirements for capital equipment to support our manufacturing and inspection processes.In particular, we have experienced negative operating cash flow in the past, especially as we procure long-lead time materials to satisfyour backlog, which can be subject to extensive variability. We believe that if we need additional capital to fund our operations, we canborrow against our revolving loan with MBT.Â Surplus Capital Investment PolicyDuringfiscal 2013, our Board approved a Surplus Capital Investment Policy (the â€œPolicyâ€) that provides,among other items, for the following:(a)Determination by our Board of Directorsof (i) our surplus capital balance and (ii) the portion of suchsurplus capital balance to be invested according to the Policy;(b)Selection of an InvestmentCommittee responsible for implementing the Policy; and(c)Objectives and criteria under which investments may be made.TheInvestment Committee is comprised of Messrs. Swenson (Chair), Cabillot,and Van Kirk. Both Mr. Cabillot and Mr. Swenson are active investors with extensive portfolio management expertise. We leveragethe experience of these committee members to make investment decisions for the investment of our surplus operating capital or borrowedfunds. Additionally, many of our securities holdings include stocks of public companies that either Messrs. Swenson or Cabillot or bothmay own from time to time either individually or through the investment funds that they manage, or other companies whose boards they siton. The Investment Committee approved each of the investments comprising the $5.8 million of investments in marketable public equity securitiesheld at June 30, 2024, which amount includes unrealized holding gains in the amount of $3.1 million at June 30, 2024. 24Â Â In December 2019, our Boardapproved a new share repurchase program authorizing us to repurchase up to one million shares of our common stock, as the prior repurchaseplan, authorized by our Board in 2013, authorizing the repurchase of 750,000 shares of common stock was nearing completion. In accordancewith, and as part of, these share repurchase programs, our Board has approved the adoption of several prearranged share repurchase plansintended to qualify for the safe harbor Rule 10b5-1 under the Exchange Act (â€œ10b5-1 Planâ€ or â€œPlanâ€).During the fiscal year endedJune 30, 2024, we repurchased 184,901 shares at an aggregate cost, inclusive of fees under the Plan, of $3.5 million. During the fiscalyear ended June 30, 2023, we repurchased 86,422 shares at an aggregate cost, inclusive of fees under the Plan, of $1.5 million. On a cumulativebasis, since 2013 we have repurchased a total of 1,381,349 shares under the share repurchase programs at an aggregate cost, inclusiveof fees under the Plan, of $20.7 million. All repurchases under the 10b5-1 Plans were administered through an independent broker.ITEM 7A.QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKAs a smaller reporting company, we are not requiredto provide this information.Â Â Â 25Â Â ITEM 8.FINANCIAL STATEMENTS AND SUPPLEMENTARY DATAPRO-DEX, INC. AND SUBSIDIARIESINDEX TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â Page Report of Independent Registered Public Accounting Firm (Moss Adams LLP, Irvine, California, Auditor ID: 659) 27 Financial Statements: Â Consolidated Balance Sheets, June 30, 2024 and 2023 29 Consolidated Income Statements, Years Ended June 30, 2024 and 2023 30 Consolidated Statements of Shareholdersâ€™ Equity, Years Ended June 30, 2024 and 2023 31 Consolidated Statements of Cash Flows, Years Ended June 30, 2024 and 2023 32 Notes to Consolidated Financial Statements 34 Â Â 26Â Â Â Â Reportof Independent Registered Public Accounting FirmÂ To the Shareholders and the Board of DirectorsPro-Dex, Inc.Â Opinion on the Financial StatementsÂ We have audited the accompanying consolidated balance sheets of Pro-Dex,Inc. (the â€œCompanyâ€) as of June 30, 2024 and 2023, the related consolidated statements of income, shareholdersâ€™ equity,and cash flows for the years then ended, and the related notes (collectively referred to as the â€œconsolidated financial statementsâ€).In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position ofthe Company as of June 30, 2024 and 2023, and the consolidated results of its operations and its cash flows for the years then ended,in conformity with accounting principles generally accepted in the United States of America.Â Basis for OpinionÂ These consolidated financial statements are the responsibility ofthe Companyâ€™s management. Our responsibility is to express an opinion on the Companyâ€™s consolidated financial statements basedon our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (â€œPCAOBâ€)and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicablerules and regulations of the

Securities and Exchange Commission and the PCAOB.Â We conducted our audits in accordance with the standards of the PCAOB.Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statementsare free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform,an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internalcontrol over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Companyâ€™s internalcontrol over financial reporting. Accordingly, we express no such opinion.Â Our audits included performing procedures to assess the risks of materialmisstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks.Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluatingthe overall presentation of the consolidated financial statements. We believe that our audits provides a reasonable basis for our opinion.Â 27Â Â Â Critical Audit MattersÂ Critical audit matters are mattersarising from the current period audit of the consolidated financial statements that werecommunicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material tothe financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are nocritical audit matters.Â Â /s/ Moss Adams LLP Â Irvine, California September 5, 2024 Â We have served as the Companyâ€™s auditor since 2003.Â Â Â Â Â 28Â Â Â Â PRO-DEX, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS(In thousands, except share data) Â Â Â Â Â Â Â Â Â Â Â Â June 30,Â Â Â 2024Â Â 2023Â ASSETSÂ Â Â Â Â Â Â Â Current assets:Â Â Â Â Â Â Â Â Cash and cash equivalentsÂ $2,631Â Â $2,936Â InvestmentsÂ Â 4,217Â Â Â 1,134Â Accounts receivableÂ Â 13,887Â Â Â 9,952Â Deferred costsÂ Â 262Â Â Â 494Â InventoryÂ Â 15,269Â Â Â 16,167Â Prepaid expensesÂ Â 345Â Â Â 296Â Total current assetsÂ Â 36,611Â Â Â 30,979Â Land and building, netÂ Â 6,155Â Â Â 6,249Â Equipment and improvements, netÂ Â 5,024Â Â Â 5,079Â Right of use asset, netÂ Â 1,473Â Â Â 1,872Â Intangibles, netÂ Â 54Â Â Â 81Â Deferred income taxes, netÂ Â 1,555Â Â Â â€”Â InvestmentsÂ Â 1,563Â Â Â 7,521Â Other assetsÂ Â 42Â Â Â 42Â Total assetsÂ $52,477Â Â $51,823Â Â Â Â Â Â Â Â Â Â LIABILITIES AND SHAREHOLDERSâ€™ EQUITYÂ Â Â Â Â Â Â Â Current liabilities:Â Â Â Â Â Â Â Â Accounts payableÂ $4,513Â Â $2,261Â Accrued liabilitiesÂ Â 3,359Â Â Â 3,135Â Income taxes payableÂ Â 632Â Â Â 453Â Deferred revenueÂ Â 14Â Â Â â€”Â Notes payableÂ Â 4,374Â Â Â 3,827Â Total current liabilitiesÂ Â 12,892Â Â Â 9,676Â Non-current liabilities:Â Â Â Â Â Â Â Â Lease liability, net of current portionÂ Â 1,182Â Â Â 1,638Â Deferred income taxes, netÂ Â â€”Â Â Â 8Â Notes payable, net of current portionÂ Â 7,536Â Â Â 8,911Â Total non-current liabilitiesÂ Â 8,718Â Â Â 10,557Â Total liabilitiesÂ Â 21,610Â Â Â 20,233Â Â Â Â Â Â Â Â Â Â Commitments and Contingencies (Note 9):Â Â â€”Â Â Â â€”Â Â Â Â Â Â Â Â Â Â Shareholdersâ€™ equity:Â Â Â Â Â Â Â Â Common stock, no par value, 50,000,000Â shares authorized; 3,363,412 and 3,545,309 shares issued and outstanding at June 30, 2024 and 2023, respectivelyÂ Â 3,917Â Â Â 6,767Â Retained earningsÂ Â 26,950Â Â Â 24,823Â Total shareholdersâ€™ equityÂ Â 30,867Â Â Â 31,590Â Total liabilities and shareholdersâ€™ equityÂ $52,477Â Â $51,823Â Â See notes to consolidated financial statements.Â Â 29Â Â PRO-DEX, INC. AND SUBSIDIARIESCONSOLIDATED INCOME STATEMENTS (In thousands, except share and per share data)Â Â Â Â Â Â Â Â Â Â Â Â Years Ended June 30,Â Â Â 2024Â Â 2023Â Â Â Â Â Â Â Â Net salesÂ $53,844Â Â $46,087Â Cost of salesÂ Â 39,293Â Â Â 33,338Â Gross profitÂ Â 14,551Â Â Â 12,749Â Â Â Â Â Â Â Â Â Â Operating expenses:Â Â Â Â Â Â Â Â Selling expensesÂ Â 117Â Â Â 155Â General and administrative expensesÂ Â 4,072Â Â Â 4,028Â Research and development costsÂ Â 3,189Â Â Â 2,804Â Total operating expensesÂ Â 7,378Â Â Â 6,987Â Operating incomeÂ Â 7,173Â Â Â 5,762Â Other income (expense):Â Â Â Â Â Â Â Â Interest and dividend incomeÂ Â 144Â Â Â 294Â Unrealized gain (loss) on marketable equity investmentsÂ Â (4,125)Â Â 3,899Â Gain on sale of investmentsÂ Â â€”Â Â Â 6Â Interest expenseÂ Â (558)Â Â (533) Total other income (expense)Â Â (4,539)Â Â 3,666Â Â Â Â Â Â Â Â Â Â Income before incomeÂ taxesÂ Â 2,634Â Â Â 9,428Â Income tax expenseÂ Â 507Â Â Â 2,354Â Â Â Â Â Â Â Â Â Â Net incomeÂ $2,127Â Â $7,074Â Â Â Â Â Â Â Â Â Â Basic & Diluted income per share:Â Â Â Â Â Â Â Â Basic net income per shareÂ $0.61Â Â $1.98Â Diluted net income per shareÂ $0.60Â Â $1.95Â Â Â Â Â Â Â Â Â Â Weighted-average common shares outstanding:Â Â Â Â Â Â Â Â BasicÂ Â 3,498,807Â Â Â 3,571,044Â DilutedÂ Â 3,571,207Â Â Â 3,636,944Â Â Â See notes to consolidated financial statements.Â Â 30Â Â PRO-DEX, INC. AND SUBSIDIARIESCONSOLIDATED STATEMENTS OF SHAREHOLDERSâ€™ EQUITYFor The Years Ended June 30, 2024 and 2023(In thousands, except share data)Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Common SharesÂ Â Â Â Â Â Â Â Â Number of SharesÂ Â AmountÂ Â Retained EarningsÂ Â TotalÂ Balance at June 30, 2022Â Â 3,596,131Â Â $7,682Â Â $17,749Â Â $25,431Â Net incomeÂ Â â€”Â Â Â â€”Â Â Â 7,074Â Â Â 7,074Â ESPP shares issuedÂ Â 5,459Â Â Â 77Â Â Â â€”Â Â Â 77Â Shares issued in connection with performance award vestingÂ Â 37,500Â Â Â â€”Â Â Â â€”Â Â Â â€”Â Shares withheld from common stock issued to pay employee payroll taxesÂ Â (13,859)Â Â (223)Â Â â€”Â Â Â (223) Exercise of stock optionsÂ Â 6,500Â Â Â 12Â Â Â â€”Â Â Â 12Â Share-based compensationÂ Â â€”Â Â Â 766Â Â Â â€”Â Â Â 766Â Share repurchasesÂ Â (86,422)Â Â (1,547)Â Â â€”Â Â Â (1,547) Balance at June 30, 2023Â Â 3,545,309Â Â $6,767Â Â $24,823Â Â $31,590Â Net incomeÂ Â â€”Â Â Â â€”Â Â Â 2,127Â Â Â 2,127Â ESPP shares issuedÂ Â 3,004Â Â Â 50Â Â Â â€”Â Â Â 50Â Share-based compensationÂ Â â€”Â Â Â 605Â Â Â â€”Â Â Â 605Â Share repurchasesÂ Â (184,901)Â Â (3,505)Â Â â€”Â Â Â (3,505) Balance at June 30, 2024Â Â 3,363,412Â Â $3,917Â Â $26,950Â Â $30,867Â Â See notes to consolidatedfinancial statements. Â Â Â 31Â Â PRO-DEX, INC. AND SUBSIDIARIESCONSOLIDATED STATEMENTS OF CASH FLOWS(In thousands)Â Â Â Â Â Â Â Â Â Â Â Â Â Years Ended June 30,Â Â Â 2024Â Â 2023Â CASH FLOWS FROM OPERATING ACTIVITIES:Â Â Â Â Â Â Â Â Net incomeÂ $2,127Â Â $7,074Â Adjustments to reconcile net income to net cash provided by operating activities:Â Â Â Â Â Â Â Â Depreciation and amortizationÂ Â 1,160Â Â Â 857Â Unrealized (gain) loss on marketable equity investmentsÂ Â 4,125Â Â Â (3,899) Gain on sale of investmentsÂ Â â€”Â Â Â (6) Non-cash lease recoveryÂ Â (17)Â Â (2) Amortization of loan fees, netÂ Â (13)Â Â 12Â Share-based compensationÂ Â 605Â Â Â 766Â Deferred income taxesÂ Â (1,563)Â Â 264Â Changes in operating assets and liabilities:Â Â Â Â Â Â Â Â Accounts receivableÂ Â (3,935)Â Â 5,432Â Deferred costsÂ Â 232Â Â Â 216Â InventoryÂ Â 898Â Â Â (3,489) Prepaid expensesÂ Â (49)Â Â 494Â Accounts payable and accrued expensesÂ Â 2,436Â Â Â (1,153) Deferred revenueÂ Â 14Â Â Â (1,013) Income taxes payableÂ Â 179Â Â Â (91) Net cash provided by operating activitiesÂ Â 6,199Â Â Â 5,462Â Â Â Â Â Â Â Â Â Â CASH FLOWS FROM INVESTING ACTIVITIES:Â Â Â Â Â Â Â Â Purchases of equipment and improvementsÂ Â (983)Â Â (974) Proceeds from sale of investmentsÂ Â â€”Â Â Â 89Â Investment in MonogramÂ Â (1,250)Â Â â€”Â Net cash used in investing activitiesÂ Â (2,233)Â Â (885) Â Â Â Â Â Â Â Â Â CASH FLOWS FROM FINANCING ACTIVITIES:Â Â Â Â Â Â Â Â Principal payments on notes payableÂ Â (4,816)Â Â (6,093) Borrowing from Minnesota Bank & Trust, net of loan origination feesÂ Â 4,000Â Â Â 5,284Â Repurchases of common stockÂ Â (3,505)Â Â (1,547) Payments of employee taxes on net issuance of common stockÂ Â â€”Â Â Â (223) Proceeds from exercise of stock options and ESPP contributionsÂ Â 50Â Â Â 89Â Net cash used in financing activitiesÂ Â (4,271)Â Â (2,490) Â Â Â Â Â Â Â Â Â Net increase (decrease) in cash and cash equivalentsÂ Â (305)Â Â 2,087Â Cash and cash equivalents, beginning of yearÂ Â 2,936Â Â Â 849Â Cash and cash equivalents, end of yearÂ $2,631Â Â $2,936Â Â Â See notes to consolidated financial statements.Â Â 32Â Â PRO-DEX, INC. AND SUBSIDIARIESCONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED(In thousands)Â Â Â Years Ended June 30,Â Â Â 2024Â Â 2023Â Supplemental disclosures of cash flow information:Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Cash paid during the period for:Â Â Â Â Â Â Â Â Income taxes, net of refundsÂ $1,891Â Â $1,655Â InterestÂ $555Â Â $521Â Â Â See notes to consolidated financial statements.Â Â Â 33Â Â PRO-DEX, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â 1.DESCRIPTION OF BUSINESSÂ We specialize in the design, developmentand manufacture of autoclavable, battery-powered and electric, multi-function surgical drivers and shavers used primarily in the orthopedic,thoracic, and craniomaxillofacial markets.Â We have patented adaptive torque-limiting technology and proprietary sealing solutionswhich appeal to our customers, primarily medical device distributors. We also manufacture and sell rotary air motors to a wide range ofindustries.Â In August 2020, we formed a whollyowned subsidiary, PDEX Franklin, LLC (â€œPDEX Franklinâ€), to hold title for an approximate 25,000 square foot industrial buildingin Tustin, California (the â€œFranklin Propertyâ€) that we acquired on November 6, 2020, in order to allow for the continuedgrowth of our business. The consolidated financial statements include the accounts of the Company and PDEX Franklin and all significantinter-company accounts and transactions have been eliminated. This subsidiary has no separate operations.Â Â 2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESThe summaryof significant accounting policies presented below is designed to assist the reader in understanding our consolidated financial statements.Such consolidated financial statements and related notes are the representations of management, who is responsible for their integrityand objectivity. In the opinion of management, these accounting policies conform to accounting principles generally accepted in the UnitedStates of America (â€œU.S. GAAPâ€) in all material respects and have been consistently applied in preparing the accompanyingconsolidated financial statements.Net SalesNet sales consists of thesale of products and services, as well as shipping and handling billed to our customers and is net of volume rebates and discounts andexcludes sales tax.Revenue RecognitionÂ Revenue from product sales is recognizedas promulgated by the Financial Accounting Standards Board (â€œFASBâ€) in Accounting Standards Update (â€œASUâ€) 2014-09,Revenue from Contracts with Customers once our contract(s) with a customer and the performance obligations in the contract havebeen identified, and the transaction price has been allocated to the performance obligations and revenue is recorded when (or as) we satisfyeach performance obligation, generally upon shipment.Revenuefrom services, typically non-recurring engineering (â€œNREâ€) services related to the design or customization of a medical device,is typically recognized over time. The customer funding for costs incurred for NRE services is deferred and subsequently recognized asrevenue as under-lying products or services are delivered to the customers. Additionally, expenses incurred, up to the customer agreedfunding amount, are deferred as an asset and recognized as cost of sales when the under-lying products or services are delivered to thecustomer. The deferred customer funding and costs result in recognition of deferred costs (asset) and deferred revenue (liability) onour consolidated balance sheets.One of our customer contractscan give rise to variable consideration due to volume rebates. We estimate variable consideration at the most likely amount we will receivefrom this customer. Our estimates of variable consideration are based on an assessment of our anticipated performance and all information(historical, current, and forecasted) that is reasonably available to us.Returns of our product forcredit are minimal; accordingly, we do not establish a reserve for product returns at the time of sale.Cost of SalesCost of sales consists primarilyof the purchase price of goods and cost of services rendered including freight costs. Cost of sales also includes production labor andoverhead costs for all of our manufacturing and assembly operations, which overhead includes all indirect labor and expenses associatedwith our inspection, warehousing, material planning and quality departments.Â Â 34Â PRO-DEX, INC. AND SUBSIDIARYNOTES TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â Â Â Estimated Losses on Product Development ServicesCostand revenue estimates related to the product development service portions of development and supply contracts are reviewed and updatedquarterly. An expected loss on development service contracts is recognized immediately in cost of sales. Losses recorded in fiscal 2024and 2023 related to these services totaled $118,000 and $108,000, respectively.Dueto the complexity of many of the contracts we have undertaken, the cost estimation process requires significant judgment. It is basedupon the knowledge and experience of our project managers, engineers, and finance professionals. Factors that are considered in estimatingthe cost of work to be completed and ultimate profitability of the fixed price product development portion of development and supply contractsinclude the nature and complexity of the work to be performed, availability and productivity of labor, the effect of change orders, theavailability of materials, performance of subcontractors, and expected costs for specific regulatory approvals.WarrantiesCertain of our products aresold with a warranty that provides for repairs or replacement of any defective parts for a period, generally one to two years, after thesale. At the time of the sale, we accrue an estimate of the cost of providing the warranty based on prior experience with such factorsas return rates and repair costs, which factors are reviewed quarterly.The warranty accrual is basedon historical costs of warranty repairs and expected future identifiable warranty expenses and is included in accrued expenses in theaccompanying consolidated balance sheets. Warranty expenses are included in cost of sales in the accompanying consolidated statementsof operations. Changes in estimates to previously established warranty accruals result from current period updates to assumptions regardingrepair costs and warranty return rates and are included in current period warranty expense.Cash and Cash EquivalentsWe consider all highly liquidinvestments with an original maturity of ninety days or less to be cash equivalents. At June 30, 2024 and 2023, cash equivalents consistedof investments in money market funds.Â Accounts Receivable Trade receivables are statedat their original invoice amounts, less an allowance for doubtful portions of such accounts represented by expected credit losses. Managementdetermines the allowance for credit losses based on facts and circumstances related to specific accounts and the age of accounts. Tradereceivables are written off when deemed uncollectible. Recoveries of trade receivables previously reserved are offset against the allowancewhen received.Â LeasesÂ Our operating lease consists solely of our corporate headquarters locatedin Irvine, California. We do not have any leases classified as financing leases. We classify arrangements meeting the definition of alease as operating or financing leases, and leases are recorded on the consolidated balance sheets as both a right-of-use asset (â€œROUâ€)and lease liability, calculated by discounting the fixed lease payments over the term of the lease term at the rate implicit in the leaseor the Companyâ€™s incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, andthe ROU asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the ROUasset result in straight-line rent expense over the lease term. Operating lease assets and liabilities are recognized at commencementdate based on the present value of lease payments over the lease term. Variable lease expenses are recorded when incurred. We excludeshort-term leases having an initial term of 12 month or less as an accounting policy election, and instead recognize rent expense on astraight-line basis over the term of the lease.Â We assess the impairment of ROUassets when an event or change in circumstance indicates that the carrying value of such ROU assets may not be recoverable. If an eventor a change in circumstance indicates that the carrying value of an ROU asset may not be recoverable and the estimated fair value attributableto the ROU asset is less than its carrying value, an impairment loss equal to the excess of the ROUâ€™s carrying value over its estimatedfair value is recognized.Â 35Â PRO-DEX, INC. AND SUBSIDIARYNOTES TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â Deferred CostsÂ Deferred costs reflect costsincurred related to NRE services under the terms of the related development and/or supply contracts. These costs get recorded to costof sales in the period that the revenue is recognized.InventoriesInventories are stated atthe lower of cost (first-in, first-out method) or net realizable value. Cost includes materials, labor, and manufacturing overhead relatedto the purchase and production of inventories. Reductions to estimated market value are recorded and charged to cost of sales, when indicatedbased on a formula that compares on-hand quantities to both historical usage and estimated demand as of the measurement date. On an ongoingbasis, we evaluate inventory for obsolescence and slow-moving items. This evaluation includes analysis of historical sales and usage,existing demand, as well as specific factors known to management. As of June 30, 2024 and 2023, there was approximately $275,000 and $637,000,respectively, of inventory in-transit from suppliers.Â InvestmentsInvestments at June 30,2024 and 2023, consist of marketable equity securities of publicly held companies. Investments at June 30, 2023 also included a warrant(the â€œMonogram Warrantâ€) to purchase common stock of a company whose common stock first became publicly traded in May 2023,which we exercised in the second quarter of fiscal 2024 (See Note 4). The investments were made to realize a reasonable return, althoughthere is no assurance that positive returns will be realized. Investments are marked to market at each measurement date, with unrealizedgains and losses presented separately within other income and expense on the consolidated income statement. All of our investments consistof common stocks of public companies that are either thinly traded or we hold a significant (in excess of 5%) interest in. These investmentswere subject to a valuation analysis as of June 30, 2024 and 2023.Â Long-lived Assets We review the recoverabilityof long-lived assets, consisting of the land and building that we own, equipment, and improvements, including leasehold improvements,when events or changes in circumstances occur that indicate carrying values may not be recoverable.Our building, equipment andimprovements are recorded at historical cost and depreciation is provided using the straight-line method over the following periods: Schedule of building, equipment and improvements Â Building Thirty years Equipment Three to ten years Improvements Shorter of the remaining life of the underlying building, lease term, or the assetâ€™s estimated useful life IntangiblesIntangiblesconsist of legal fees incurred in connectionwith patent applications. Our patent costs are being amortized over a period of four to seven years. The expense associated with the amortizationof the patent costs is recognized in research and development costs.Income TaxesWe recognize deferred taxassets and liabilities for temporary differences between the financial reporting basis and the tax basis of our assets and liabilitiesalong with net operating losses and tax credit carryovers. Net deferred tax assets or liabilities at both JuneÂ 30, 2024 and 2023consisted primarily of basis differences related to unrealized gain/loss related to investments, stock-based compensation, fixed assets,accrued expenses, and inventories. Our deferred tax assets also includes capitalization of our research expenditures as prescribed bythe Tax Cuts and Jobs Act.Significant management judgmentis required in determining the provision for income taxes, the recoverability of deferred tax assets, and the extinguishment of deferredtax liabilities. Such determination is based on historical taxable income, with consideration given to estimates of future taxable incomeand the periods over which deferred tax assets will be recoverable and deferred tax liabilities will be extinguished. We record a valuationallowance against deferred tax assets to reduce the net carrying value to an amount that we believe is more likely than not to be realized.When we establish or reduce the valuation allowance against deferred tax assets, the provision for income taxes will increase or decrease,respectively, in the period such determination is made.Â 36Â PRO-DEX, INC. AND SUBSIDIARYNOTES TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â Uncertain Tax PositionsWe record uncertain tax positionsin accordance with Accounting Standards Codification (â€œASCâ€) 740 on the basis of a two-step process whereby (1) we determinewhether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position, and(2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit thatis more than 50% likely to be realized upon ultimate settlement with the related tax authority.Â Shipping and HandlingPayments from customers forshipping and handling are included in net sales. Shipping expenses, consisting primarily of payments made to freight companies,are included in cost of sales.Â Concentration of Credit RiskFinancial instruments thatpotentially subject us to credit risk consist principally of cash, cash equivalents, and trade receivables. We place our cash and cashequivalents with major financial institutions. At JuneÂ 30, 2024 and 2023, and throughout the fiscal years then ended, we had depositsin excess of federally insured limits. Credit sales are made to medical device distributors, original equipment manufacturers, and resellersthroughout the world, and sales to such customers account for a substantial portion of our trade receivables. While such receivables arenot collateralized, we evaluate their collectability based on several factors including customersâ€™ payment histories.Â Segment ReportingÂ We have identified one business segment which management also considersto be one reporting unit as our Chief Executive Officer (â€œCEOâ€) allocates resources, assesses performance, and manages ourbusiness as one segment. We have reached this conclusion because 99% of our business relates to designing, manufacturing, and repairingmedical devices. We primarily design, sell, and repair handheld medical devices and accessories. We provide medical devices, NRE and proto-typeservices, as well as repairs to all our customers and we utilize one machine shop and purchasing team to procure and manufacture all theproducts that we sell. Our CEO utilizes consolidated operating income to analyze our business operations.Â Compensation PlansÂ We recognize compensationexpense for the share-based awards that vest subject to market conditions under ASC 718, Compensation-Stock Compensation by estimatingtheir fair value using a Monte Carlo simulation. The fair value using a Monte Carlo simulation model is affected by assumptions regardinga number of complex judgments including expected stock price volatility, risk free interest rates, and the forecasted future value andtrading volume of our stock. The awards are considered granted for accounting purposes on the date the awards were approved by the CompensationCommittee of our Board of Directors and we recognize compensation expense, based on the estimated fair value of the award, on a straight-linebasis over the requisite service period.Use of EstimatesThe preparation of financialstatements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosureof contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses duringthe reporting period. Actual results could differ from those estimates.Our operations are affectedby numerous factors including market acceptance of our products, supply chain disruptions, changes in technologies, and new laws, governmentregulations, and policies. We cannot predict what impact, if any, the occurrence of these or other events might have on our operations.Significant estimates and assumptions made by management include, but are not limited to, revenue recognition, share-based compensation,the allowance for credit losses, accrued warranty expense, investments, inventory valuation, the carrying value of long-lived assets,and the recoverability/extinguishment of deferred income tax assets and liabilities.Â 37Â PRO-DEX, INC. AND SUBSIDIARYNOTES TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â Basic and Diluted Per Share InformationBasic per share amounts arecomputed on the basis of the weighted-average number of common shares outstanding during each period presented. Diluted per share amountsassume the issuance of all potential common stock equivalents, consisting of outstanding stock options and performance awards as discussedin Note 12, unless the effect of such exercise is to increase income, or decrease loss, per common share.Fair Value MeasurementsFair value is measured basedon the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participantsat the measurement date. Fair value measurements are based on a three-tier hierarchy that prioritizes the inputs used to measure fairvalue. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputsother than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputsfor which little or no market data exists, therefore requiring an entity to develop its own assumptions.Cash and cash equivalents:The carrying value of cash and cash equivalents is considered to be representative of their fair values based on the short-term natureof these instruments. As such, cash and cash equivalents are classified within Level 1 of the valuation hierarchy.Investments: Investmentsconsist of marketable equity securities of publicly held companies as well as, at June 30, 2023, a warrant (the Monogram Warrant) to purchaseoutstanding stock of a publicly traded company. Due to either the thinly traded nature of these stocks or our significant ownership percentage,in excess of 5% of shares outstanding, all of our investments are classified within Level 2 of the valuation hierarchy as of June 30,2024. Due to the lack of an active market for the Monogram Warrant, the estimated fair value of the warrant was measured using pricingmodels with no observable inputs and was therefore considered a Level 3 measurement within the valuation hierarchy. The fair value ofall of our investments at June 30, 2024 and 2023 was based upon a valuation analysis.Although the methods abovemay produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values, we believeour valuation methods are appropriate.AdvertisingAdvertising costsare charged to selling or general and administrative expense as incurred and amounted to $14,000 and $4,000 for the fiscal years endedJuneÂ 30, 2024 and 2023, respectively.Recently Adopted Accounting PronouncementsÂ In March 2022, the FASB issued ASUNo 2022-02 (Topic 326) Financial Instruments â€“ Credit Losses to create a new model for credit losses that reflects currentexpected credit losses (â€œCECLâ€) over the lifetime of the underlying accounts receivable. The CECL methodology is applicableto our trade accounts receivable and our deferred costs. We adopted ASU 2022-02 effective July 1, 2023, and the adoption did not havea material impact on our financial statements.Â Recently Issued and Not Yet Adopted Accounting PronouncementsInDecember 2023, the FASB issued ASU No. 2023-09, Income Taxes: Improvements to Income Tas Disclosures (Topic 740). ASU 2023-09 expandsthe existing rules on income tax disclosures. This update requires entities to disclose specific categories in the tax rate reconciliation,provide additional information for reconciling items that meet a quantitative threshold and disclose additional information about incometaxes paid on an annual basis. The new disclosure requirements are effective for fiscal years beginning after December 15, 2024. Earlyadoption is permitted. We are currently evaluating these new expanded disclosure requirements.InNovember 2023, the FASB issued ASU 2023-07, Segment Reporting: Improvements to Reportable Segment Disclosures (Topic280) whichexpands disclosure requirements to require entities to disclose significant segment expenses that are regularly provided to or easilycomputed from information regularly provided to the chief operating decision maker. This update also requires all annual disclosures currentlyrequired by Topic 280 to be disclosed in interim periods. The new disclosure requirements are effective for fiscal years beginning afterDecember 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. Although ourbusiness, as currently operated, has only one segment, we are evaluating the new disclosure requirements to ensure compliance. 38Â PRO-DEX, INC. AND SUBSIDIARYNOTES TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â Â 3.NET SALESÂ The following table presents thedisaggregation of net sales by revenue recognition model (in thousands):Â Schedule of disaggregation of net salesÂ Â Â Â Â Â Â Â Â Â Year ended June 30,Â Â Â 2024Â Â 2023Â Net Sales:Â Â Â Â Â Â Â Â Over-time revenue recognition Â $786Â Â $2,695Â Point-in-time revenue recognition Â Â 53,058Â Â Â 43,392Â Total net sales Â $53,844Â Â $46,087Â The timing of revenue recognition,billings, and cash collections results in billed accounts receivables, unbilled receivables (presented as deferred costs on our consolidatedbalance sheets) and customer advances and deposits (presented as deferred revenue on our consolidated balance sheets), where applicable.Amounts are generally billed as work progresses in accordance with agreed upon milestones. The over-time revenue recognition model consistsof NRE and prototype services and typically relates to NRE services related to the evaluation, design or customization of a medical deviceand is typically recognized over time utilizing an input measure of progress based on costs incurred compared to the estimated total costsupon completion. During the fiscal years ended June 30, 2024 and 2023, we recorded $0 and $1.0 million, respectively, of revenue thathad been included in deferred revenue in the prior year. The revenue recognized from the contract liabilities consisted of satisfyingour performance obligations during the normal course of business.The following tables summarizeour contract assets and liability balances (in thousands):Â Schedule of contract assets and liabilityÂ Â Â Â Â Â Â Â Â Â June 30,Â Â Â 2024Â Â 2023Â Contract assets at beginning of year Â $494Â Â $710Â Expenses incurred during the yearÂ Â 502Â Â Â 1,545Â Amounts reclassified to cost of salesÂ Â (691)Â Â (1,710) Amounts allocated to discounts for standalone selling priceÂ Â (43)Â Â (51) Contract assets at end of year Â $262Â Â $494Â Â Â Â June 30,Â Â Â 2024Â Â 2023Â Contract liabilities at beginning of year Â $â€”Â Â $1,013Â Payments received from customersÂ Â 267Â Â Â 781Â Amounts reclassified to revenueÂ Â (253)Â Â (1,794) Contract liabilities at end of year Â $14Â Â $â€”Â Â 39Â PRO-DEX, INC. AND SUBSIDIARYNOTES TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â Â 4.COMPOSITION OF CERTAIN FINANCIAL STATEMENT ITEMSInvestmentsInvestmentsare stated at market value and consist of the following (in thousands): Schedule of investmentsÂ Â Â Â Â Â Â Â Â Â Years Ended June 30,Â Â Â 2024Â Â 2023Â Current:Â Â Â Â Â Â Â Â Marketable equity securities â€“ short-termÂ $4,217Â Â $1,134Â Long-term:Â Â Â Â Â Â Â Â Monogram WarrantÂ Â â€”Â Â Â 6,160Â Marketable equity securities â€“ long-termÂ Â 1,563Â Â Â 1,361Â Total Investments Â $5,780Â Â $8,655Â Â Marketableequity securities at June 30, 2024 and 2023 had an aggregate cost basis of $3,964,000 and$2,714,000, respectively. Both current and long-term marketable equity securities include equity securities of public companiesthat are thinly traded. We classified certain investments as long term in nature because even if we decide to sell the stocks, we maynot be able to sell our position within one year. At June 30, 2024, the investments included net unrealized gains of $1.8 million (grossunrealized gains of $2.1 million offset by gross unrealized losses of $261,000). At June 30, 2023, the investments, excluding the MonogramWarrant, included net unrealized losses of $219,000 (gross unrealized losses of $286,000 offset by gross unrealized gains of $67,000).Of the totalmarketable equity securities at June 30, 2024 and 2023, $987,000 and $1,134,000, respectively, represent an investment in the common stockof Air T, Inc. Two of our Board members, Messrs. Swenson and Cabillot, are also board members of Air T,Inc. and both either individually or through affiliates own an equity interest in Air T, Inc. Mr. Swenson, our Chairman, also serves asthe chief executive officer and chairman of Air T, Inc. Another of our Board members is employed by Air T as its Chief of Staff. The shareshave been purchased through 10b5-1 Plans that, in accordance with our internal policies regarding the approval of related-party transactions,were approved by our then three Board members that are not affiliated with Air T, Inc.On October 6,2023, in conjunction with the execution of a supply agreement with Monogram Technologies Inc., formerly Monogram Orthopaedics Inc. (â€œMonogramâ€),we exercised the Monogram Warrant in full in cash totaling $1,250,000 and received 1,828,551 shares of Monogram common stock (NasdaqCM:MGRM). On the date of exercise our unrealized loss on the investment was approximately $38,000. The fair value of the Monogram commonstock of $3.2 million, is reflected in marketable equity securities â€“ short term in the table above as of June 30, 2024. Our ChiefExecutive Officer, Richard Van Kirk (â€œRickâ€), is also a Monogram board member.At June 30, 2023,the Monogram Warrant was exercisable into a total of 1,823,058 shares of Monogramâ€™s outstanding stock. The estimated fair valueof the Monogram Warrant at June 30, 2023 was $6,160,000, using a Black-Scholes valuation model with the following assumptions: Schedule of assumptions usedÂ Â Â Â Â Â June 30, 2023Â Stock Price (common) Â $3.98Â Strike Price (common) Â $.69Â Time until expiration (years) Â Â 2.48Â Volatility Â Â 60.0% Risk-free interest rate Â Â 4.68% Â We invest surpluscash from time to time through our Investment Committee, which is comprised of one management director, Mr. Van Kirk, and two non-managementdirectors, Mr. Cabillot and Mr. Swenson, who chairs the committee. Both Mr. Cabillot and Mr. Swenson are active investors with extensiveportfolio management expertise. We leverage the experience of these committee members to make investment decisions for the investmentof our surplus operating capital or borrowed funds. Additionally, many of our securities holdings include stocks of public companies thateither Messrs. Swenson or Cabillot or both may own from time to time either individually or through the investment funds that they manage,or other companies whose boards they sit on, such as Air T, Inc. 40Â PRO-DEX, INC. AND SUBSIDIARYNOTES TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â InventoryInventoryis stated at the lower of cost (first-in, first-out) or net realizable value and consists of the following (in thousands): Schedule of inventoryÂ Â Â Â Â Â Â Â Â Â June 30,Â Â Â 2024Â Â 2023Â Raw materials /purchased components Â $6,703Â Â $8,824Â Work in process Â Â 5,103Â Â Â 3,686Â Sub-assemblies /finished components Â Â 2,342Â Â Â 2,387Â Finished goods Â Â 1,121Â Â Â 1,270Â Total inventory Â $15,269Â Â $16,167Â Â Land and BuildingÂ Land and building consistof the following (inÂ thousands): Schedule of land and buildingÂ Â Â Â Â Â Â Â Â Â June 30,Â Â Â 2024Â Â 2023Â Land Â $3,684Â Â $3,684Â Building Â Â 2,815Â Â Â 2,815Â Total Â Â 6,499Â Â Â 6,499Â Less: accumulated depreciation Â Â (344)Â Â (250) Â Â $6,155Â Â $6,249Â Â OnNovember 6, 2020, we acquired the Franklin Property for a total purchase price of $6.5 million, of which we paid $1.3 million in cashand the balance of $5.2 million we financed through Minnesota Bank & Trust (â€œMBTâ€) (See Note 7). We substantially completedthe build-out of the property in the first quarter of fiscal 2022. In the fourth quarter of fiscal 2023, we substantially completed allof our validation activities, and we moved our repairs and assembly departments to the new facility. The building is being amortized ona straight-line basis over a period of 30 years.Equipment and ImprovementsÂ Equipment and improvementsconsist of the following (inÂ thousands): Schedule of equipment and improvementsÂ Â Â Â Â Â Â Â Â Â June 30,Â Â Â 2024Â Â 2023Â Office furnishings and fixtures Â $1,982Â Â $1,957Â Machinery and equipment Â Â 7,292Â Â Â 6,675Â Automobiles Â Â 21Â Â Â 21Â Improvements Â Â 4,993Â Â Â 4,737Â Total Â Â 14,288Â Â Â 13,390Â Less: accumulated depreciation and amortization Â Â (9,264)Â Â (8,311) Â Â $5,024Â Â $5,079Â Â Depreciationexpense for the years ended June 30, 2024 and 2023 amounted to $1,038,000 and $727,000, respectively. During fiscal 2024 and 2023, fullydepreciated assets in the amount of $85,000 and $760,000, respectively, were retired. 41Â PRO-DEX, INC. AND SUBSIDIARYNOTES TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â IntangiblesIntangiblesconsist of the following (in thousands): Â Schedule of intangiblesÂ Â Â Â Â Â Â Â Â Â June 30,Â Â Â 2024Â Â 2023Â Patent-related costs Â $208Â Â $208Â Less accumulated amortization Â Â (154)Â Â (127) Â Â $54Â Â $81Â Amortizationexpense for the years ended June 30, 2024 and 2023 amounted to $28,000 and $37,000, respectively.Patent-relatedcosts consist of legal fees incurred in connection with both patent applications and patent issuances, and will be amortized over theestimated life of the product(s) that is or will be utilizing the technology, or expensed immediately in the event the patent office deniesthe issuance of the patent. Future amortization expense is estimated to be no more than $30,000 per year and all remaining costs are expectedto be fully amortized within two years.Â Accrued LiabilitiesÂ Accrued liabilities consistof the following (inÂ thousands): Schedule of accrued liabilitiesÂ Â Â Â Â Â Â Â Â Â June 30,Â Â Â 2024Â Â 2023Â Payroll and related items Â $668Â Â $650Â Accrued inventory in transit Â Â 276Â Â Â 637Â Accrued legal and professional fees Â Â 301Â Â Â 216Â Accrued bonuses Â Â 353Â Â Â 400Â Current portion of lease liability Â Â 455Â Â Â 416Â Warranty Â Â 277Â Â Â 200Â Accrued customer rebate Â Â 840Â Â Â 480Â Other Â Â 189Â Â Â 136Â TotalÂ $3,359Â Â $3,135Â Â Â 5.WARRANTY ACCRUALInformationrelating to the accrual for warranty costs for the years ended June 30, 2024 and 2023, is as follows (in thousands):Â Schedule of accrual warranty costsÂ Â Â Â Â Â Â Â Â Â June 30,Â Â Â 2024Â Â 2023Â Balance at beginning of year Â $200Â Â $340Â Accruals during the yearÂ Â 197Â Â Â 161Â Change in estimates of prior period accrualsÂ Â 70Â Â Â (109) Warranty amortization/utilizationÂ Â (190)Â Â (192) Balance at end of year Â $277Â Â $200Â Â Warranty expense relating to new product sales and changesto estimates was $267,000 and $52,000, respectively, for the fiscal years ended June 30, 2024 and 2023.Â 42Â PRO-DEX, INC. AND SUBSIDIARYNOTES TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â Â 6.INCOME TAXES Â The provision forincome taxes consists of the following amounts (inÂ thousands): Schedule of provision for income taxesÂ Â Â Â Â Â Â Â Â Â Years Ended June 30,Â Â Â 2024Â Â 2023Â Current:Â Â Â Â Â Â Â Â FederalÂ $1,493Â Â $1,745Â StateÂ Â 577Â Â Â 345Â Deferred:Â Â Â Â Â Â Â Â FederalÂ Â (1,210)Â Â 6Â StateÂ Â (353)Â Â 258Â Income tax expense Â $507Â Â $2,354Â Â The effective income tax rate from income from continuingoperations differs from the United States statutory income tax rates for the reasons set forth in the table below (in thousands, exceptpercentages).Â Schedule of reconciliation federal statutory income tax ratesÂ Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Years Ended June 30,Â Â Â 2024Â Â 2023Â Â Â AmountÂ Â Percent Pretax IncomeÂ Â AmountÂ Â Percent

Pretax IncomeÂ Income before income taxesÂ $2,634Â Â Â 100%Â $9,428Â Â Â 100% Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Computed â€œexpectedâ€ income tax expense on income before income taxesÂ $553Â Â Â 21%Â $1,979Â Â Â 21% State tax, net of federal benefitÂ Â 212Â Â Â 8%Â Â 672Â Â Â 7% Tax incentivesÂ Â (214)Â Â (8%)Â Â (229)Â Â (2%) Uncertain tax positionÂ Â (88)Â Â (3%)Â Â (119)Â Â (1%) Stock based compensationÂ Â 2Â Â Â â€"Â Â Â (114)Â Â (1%) OtherÂ Â 42Â Â Â 1%Â Â 165Â Â Â 1% Income tax expenseÂ $507Â Â Â 19%Â $2,354Â Â Â 25% Â Â 43Â PRO-DEX, INC. AND SUBSIDIARYNOTES TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â Deferred income taxes reflect the net effects of lossand credit carryforwards and temporary differences between the carrying amount of assets and liabilities for financial reporting purposesand the amounts used for income tax purposes. Significant components of our deferred tax assets and liabilities for federal and stateincome taxes are as follows (in thousands): Schedule of deferred income tax assets and liabilitiesÂ Â Â Â Â Â Â Â Â Â June 30,Â Â Â 2024Â Â 2023Â Deferred tax assets:Â Â Â Â Â Â Â Â Federal and state NOL carryforwardÂ $23Â Â $22Â Research and other creditsÂ Â 65Â Â Â 65Â ReservesÂ Â 146Â Â Â 122Â AccrualsÂ Â 309Â Â Â 267Â Stock based compensationÂ Â 1,008Â Â Â 814Â Section 174 capitalizationÂ Â 738Â Â Â 830Â Lease liabilityÂ Â 488Â Â Â 599Â InventoryÂ Â 596Â Â Â 351Â Deferred state taxÂ Â 5Â Â Â 31Â Total gross deferred tax assetsÂ $3,378Â Â $3,101Â Less: valuation allowanceÂ Â (90)Â Â (91) Total deferred tax assetsÂ Â 3,288Â Â Â 3,010Â Deferred tax liabilities:Â Â Â Â Â Â Â Â Property and equipment, principally due to differing depreciation methodsÂ $(675)Â $(767) Right of use assetÂ Â (439)Â Â (546) Deferred state taxÂ Â (78)Â Â â€"Â Unrealized gainsÂ Â (541)Â Â (1,705) Total gross deferred tax liabilitiesÂ Â (1,733)Â Â (3,018) Net deferred tax assets (liabilities)Â $1,555Â Â $(8) Â Realization of our deferredtax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. As of June 30, 2024, our deferredtax asset valuation allowance primarily consists of state net operating loss carryforwards for states in which we have filed a final return.For the fiscal years ended June 30, 2024 and 2023, we recorded a net decrease to our valuation allowance of $1,000 and $7,000, respectively,on the basis of managementâ€™s reassessment of the amount of our deferred tax assets that are more likely than not to be realized.As of June 30, 2024, we didnot have any net operating losses for federal and state income tax purposes for state jurisdictions in which we currently operate. Wehave no federal or state research and development and alternative minimum tax credit carry forwards at June 30, 2024.As of JuneÂ 30, 2024,we have accrued $262,000 of unrecognized tax benefits related to federal and state income tax matters that would reduce our income taxexpense if recognized. If we are eventually able to recognize our uncertain tax positions, our effective tax rate would be reduced. Anyadjustment to our uncertain tax positions would result in a cash outlay.Â 44Â PRO-DEX, INC. AND SUBSIDIARYNOTES TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â Â Information with respect to our accrual for unrecognizedtax benefits is as follows (in thousands):Â Schedule of accrual unrecognized tax benefitsÂ Â Â Â Â Â Â Â Â Â June 30,Â Â Â 2024Â Â 2023Â Unrecognized tax benefits:Â Â Â Â Â Â Â Â Beginning balanceÂ $345Â Â $509Â Additions based on federal tax positions related to the current yearÂ Â 15Â Â Â 16Â Additions based on state tax positions related to the current yearÂ Â 17Â Â Â 19Â Additions (reductions) for tax positions of prior yearsÂ Â 3Â Â Â (95) Reductions due to lapses in statutes of limitationÂ Â (118)Â Â (104) Ending balanceÂ $262Â Â $345Â Although it is reasonablypossible that certain unrecognized tax benefits may increase or decrease within the next twelve months due to tax examinations, settlementactivities, expirations of statute of limitations, or the impact on recognition and measurement considerations related to the resultsof published tax cases or other similar activities, we do not anticipate any significant changes to unrecognized tax benefits over thenext twelve months.We recognize accrued interestand penalties related to unrecognized tax benefits in income tax expense when applicable. As of JuneÂ 30, 2024, $41,000 of interestapplicable to our unrecognized tax benefits have been accrued.We are subject to U.S. federalincome tax, as well as income tax of California, Colorado, and Massachusetts. We are currently open to audit under the statute of limitationsby the Internal Revenue Service for the years ended JuneÂ 30, 2021, and later.Â However, because of our prior net operatinglosses and research credit carryovers, our tax years from June 30, 2013, are open to audit.Â 7.NOTES PAYABLE AND FINANCING TRANSACTIONS Â Minnesota Bank & TrustÂ OnNovember 6, 2020 (the â€œClosing Dateâ€), PDEX Franklin, a newly created wholly owned subsidiary of the Company, purchased theFranklin Property. A portion of the purchase price was financed by a loan from MBT to PDEX Franklin in the principal amount of approximately$5.2 million (the â€œProperty Loanâ€) pursuant to a Loan Agreement, dated as of the Closing Date, between PDEX Franklin and MBT(the â€œProperty Loan Agreementâ€) and corresponding Term Note (the â€œProperty Noteâ€) issued by PDEX Franklin in favorof MBT on the Closing Date. The Property Loan is secured by the Franklin Property pursuant to a Deed of Trust with Assignment of Leasesand Rents, Security Agreement and Fixture Filing in favor of MBT (the â€œDeedâ€) and by an Assignment of Leases and Rents byPDEX Franklin in favor of MBT (the â€œRents Assignmentâ€). We paid loan origination fees to MBT on the Closing Date in the amountof $26,037.Â TheProperty Loan bears interest at a fixed rate of 3.55% per annum, which is subject to a 3% increase upon an event of default. Accrued interestwas paid on December 1, 2020, and both principal and interest in the amount of approximately $30,000 are due and payable on the firstday of each subsequent month until the maturity date of November 1, 2030 (the â€œMaturity Dateâ€), at which time a balloon paymentin the amount of $3.1 million is due. Any prepayment of the Property Loan (other than monthly scheduled interest and principal payments),is subject to a prepayment fee equal to 4% of the principal amount prepaid for any prepayment made during the first or second year, 3%of the principal amount prepaid for any prepayment made during the third or fourth year, 2% of the principal amount prepaid for any prepaymentmade during the fifth or sixth year, and 1% of the principal amount prepaid for any prepayment made during the seventh or eighth year.The Property Loan Agreement, Property Note, Deed, and Rents Assignment each contain representations, warranties, covenants, and eventsof default that are customary for a loan of this type. The balance owed on the Property Loan at June 30, 2024 is $4,551,000.Â 45Â PRO-DEX, INC. AND SUBSIDIARYNOTES TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â Onthe Closing Date, we also entered into an Amended and Restated Credit Agreement with MBT (the â€œAmended Credit Agreementâ€),providing for a $7,525,000 amended and restated term loan (the â€œTerm Loan Aâ€), a $1,000,000 term loan (the â€œTerm LoanBâ€), and a $2,000,000 amended and restated revolving loan, evidenced by an Amended and Restated Term Note A (â€œTerm Note Aâ€),a Term Note B, and an Amended and Restated Revolving Credit Note (the â€œRevolving Noteâ€) made by us in favor of MBT. The TermNote A had an outstanding principal balance of $3,770,331 as of the Closing Date and could be borrowed against through May 30, 2021 (theâ€œCommitment Periodâ€). During the third quarter ended March 31, 2021, we borrowed an additional $3,000,000 against Term NoteA for the purpose of repurchasing our common stock as described in Note 13. The Term Note B had a zero balance as of the Closing Dateand we borrowed the full $1,000,000 during the third quarter ended March 31, 2021, for the purpose of making improvements to the Franklinproperty described in Note 4. Â TheTerm Loan A matures on November 1, 2027 and bears interest at a fixed rate of 3.84% per annum. Initial payments on the Term Loan A ofinterest only were due on December 1, 2020 through June 1, 2021. Commencing July 1, 2021 and continuing on the first day of each monththereafter until the maturity date, we are required to make payments of principal and interest on Term LoanA of approximately $97,000 plus any additional accrued and unpaid interest through the date of payment. The balance owed on Term LoanA as of June 30, 2024, is $3,834,000.Â TheTerm Loan B matures on November 1, 2027 and bears interest at a fixed rate of 3.84% per annum. Initial payments on the Term Loan B ofinterest only were due on December 1, 2020 through June 1, 2021. Commencing July 1, 2021 and continuing on the first day of each monththereafter until the maturity date, we are required to make payments of principal and interest on Term Loan B of approximately $15,000,plus any additional accrued and unpaid interest through the date of payment. As of March 31, 2021, we had drawn fully against Term NoteB and the balance outstanding on Term Note B was $571,000 on June 30, 2024. Â On December 29, 2022(the â€œSecond Amendment Dateâ€), we entered into Amendment No. 2 to Amended and Restated Credit Agreement (the â€œSecondAmendmentâ€) with MBT, which amends the Amended Credit Agreement and provides for a supplemental line of credit in the amount of$3,000,000 (the â€œSupplemental Loanâ€). The Supplemental Loan is evidenced by a Supplemental Revolving Credit Note (the â€œSupplementalNoteâ€) made by us in favor of MBT. The purpose of the Supplemental Loan is for financing acquisitions and repurchasing shares ofour common stock. The Supplemental Loan may be borrowed against from time to time through its maturity date of December 29, 2024, on theterms set forth in the Amended Credit Agreement. As of June 30, 2024, no amounts have been drawn against the Supplemental Loan.Â The Revolving Loanwas also amended (the â€œAmended Revolving Loanâ€) in connection with the Second Amendment to extend the maturity date from November5, 2023 to December 29, 2024, to increase the Revolving Loan facility from $2,000,000 to $7,000,000, and to increase the interest rateon the Revolving Loan (as described below), evidenced by an Amended and Restated Revolving Credit Note (the â€œAmended Revolving Noteâ€)made by us in favor of MBT. The Amended Revolving Loan may be borrowed against from time to time by us through its maturity date on theterms set forth in the Amended Credit Agreement. As of June 30, 2024, we had drawn $3,000,000 against the Amended Revolving Loan. Loanorigination fees in the amount of $16,000 were paid to MBT in conjunction with the Amended Revolving Loan and the Supplemental Loan.Â The Amended Revolving Loan and SupplementalLoan bear interest at an annual rate equal to the greater of (a) 5.0% or (b) SOFR for a one-month period from the website of the CME GroupBenchmark Administration Limited plus 2.5% (the â€œAdjusted Term SOFR Rateâ€). Commencing on the first day of each month afterwe initially borrow against the Amended Revolving Loan and/or the Supplemental Loan and each month thereafter until maturity, we are requiredto pay all accrued and unpaid interest on the Amended Revolving Loan and Supplemental Loan through the date of payment. Any principalon the Amended Revolving Loan and/or Supplemental Loan that is not previously prepaid shall be due and payable in full on the maturitydate (or earlier termination of the Amended Revolving Loan and/or Supplemental Loan).Â OnDecember 29, 2023, we entered into Amendment No. 3 to Amended and Restated Credit Agreement, which extended the maturity date of the AmendedRevolving Loan and the Supplemental Loan from December 29, 2024, to December 29, 2025.Â 46Â PRO-DEX, INC. AND SUBSIDIARYNOTES TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â Anypayment on the Term Loan A, the Term Loan B, the Amended Revolving Loan or the Supplemental Loan (collectively, the â€œLoansâ€)not made within seven days after the due date is subject to a late payment fee equal to 5% of the overdue amount. Upon the occurrenceand during the continuance of an event of default, the interest rate of all Loans will be increased by 3% and MBT may, at its option,declare all of the Loans immediately due and payable in full. The Loans are secured by substantially all of our assets pursuant to a SecurityAgreement entered into between us and MBT on September 6, 2018.Â TheAmended Credit Agreement, Security Agreement, Term Note A, Term Note B, Amended Revolving Note and Supplemental Note contain representationsand warranties, affirmative, negative and financial covenants, and events of default that are customary for loans of this type. We believethat we are in compliance with all of our debt covenants as of June 30, 2024, but there can be no assurance that we will remain in compliancefor the duration of the term of these loans.Â Scheduled principalmaturities of our loans, assuming repayment of the Amended Revolving Loan in full next fiscal year and exclusive of unamortized loan originationfees in the amount of $46,000, for future fiscal years ending June 30 are as follows (in thousands):Â Schedule of maturities of term loan for future fiscal yearsÂ Â Â Â Â Â Term Loan Principal PaymentsÂ Fiscal Year:Â Â Â Â 2025Â $4,398Â 2026Â Â 1,451Â 2027Â Â 1,508Â 2028Â Â 908Â 2029Â Â 235Â ThereafterÂ Â 3,456Â Total principal payments Â $11,956Â Â 8.LEASESOur operating lease ROUasset and long-term liability are presented separately on our consolidated balance sheet. The current portion of our operating lease liability,exclusive of imputed interest, as of June 30, 2024, in the amount of $455,000, is presented within accrued expenses on the consolidatedbalance sheet. As of June 30, 2024, the maturity of our lease liability is as follows:Â Schedule of maturities of lease liabilitiesÂ Â Â Â Â Â Operating LeaseÂ Fiscal Year:Â Â Â Â 2025Â $535Â 2026Â Â 551Â 2027Â Â 567Â 2028Â Â 143Â Total lease paymentsÂ Â 1,796Â Less imputed interest:Â Â (158) Total Â $1,638Â As of June 30, 2024 and 2023,our operating lease has a remaining lease term of 3.25 years and 4.25 years, respectively, and an imputed interest rate of 5.3%. Our leaseagreement does not provide an implicit rate and, as a result, we used our estimated incremental borrowing rate at the time we adopted ASC842 to determine the present value of future lease payments. Cash paid for amounts included in the lease liability for the fiscal yearsended June 30, 2024 and 2023 was $519,000 and $504,000, respectively.Â Â 9.COMMITMENTS AND CONTINGENCIESLeasesWe lease our office, production,and warehouse facility in Irvine, California (our â€œcorporate officeâ€) under an agreement that expires in September 2027. Ourcorporate office lease requires us to pay insurance, taxes, and other expenses related to the leased space.Rent expense in fiscal 2024and 2023 was $559,000 and $563,000, respectively.Â 47Â PRO-DEX, INC. AND SUBSIDIARYNOTES TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â Compensation ArrangementsRetirement Savings 401(k) PlanThe Pro-Dex, Inc. RetirementSavings 401(k) Plan (the â€œ401(k) Planâ€) is a defined contribution plan we administer that covers substantially all our employeesand is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. Employees are eligible to participatein the 401(k) Plan when they have attained 19 years of age and then can enter into the 401(k) Plan on the first day of each calendar quarter.Participants are eligible to receive non-discretionary matching contributions by the Company equal to 25% of their contributions up to5% of eligible compensation through December 15, 2022 and 50% of their contributions up to 5% of eligible compensation thereafter. Forthe fiscal years ended JuneÂ 30, 2024 and 2023, we recognized compensation expense amounting to $188,000 and $164,000, respectively,in connection with the 401(k) Plan. During our fiscal years ended June 30, 2024 and 2023, we used approximately $63,000 and $13,000, respectively,of forfeited match contributions to reduce our match expense.Â Legal MattersÂ We may be involved in legal proceedingsarising either in the ordinary course of our business or incidental to our business. There can be no certainty, however, that we may notultimately incur liability or that such liability will not be material or adverse.Â Â 10.SHARE-BASED

COMPENSATIONStock Option PlansThrough 2014,we had two equity compensation plans, the Second Amended and Restated 2004 Stock Option Plan (theâ€œEmployee Stock Option Planâ€) and the Amended and Restated 2004 Directorsâ€™ Stock Option Plan (the â€œDirectorsâ€™Stock Option Planâ€) (collectively, the â€œFormer Stock Option Plansâ€). The Employee Stock Option Plan and Directorâ€™sStock Option Plan were terminated in June 2014 and December 2014, respectively. No options were granted under the Former Stock OptionPlans during the fiscal years ended June 30, 2024 and 2023 and all remaining outstanding stock options were exercised during fiscal 2023.In September 2016, our Boardapproved the establishment of the 2016 Equity Incentive Plan, which was approved by our shareholders at our 2016 Annual Meeting. The 2016Equity Incentive Plan provides for the award of up to 1,500,000 shares of our common stock in the form of incentive stock options, nonstatutorystock options, stock appreciation rights, restricted shares, restricted stock units, performance awards, and other stock-based awards.Performance AwardsIn December 2017, the CompensationCommittee of our Board of Directors granted 200,000 performance awards to our employees under the 2016 Equity Incentive Plan, which uponvesting will generally be paid in shares of our common stock. Whether any performance awards vest, and the amount that does vest, is tiedto the completion of service periods that range from 7 months to 9.5 years at inception and the achievement of our common stock tradingat certain pre-determined prices. The weighted-average fair value of the performance awards granted was $4.46, calculated using the weighted-averagefair market value for each award, using a Monte Carlo simulation. In February 2020, the Compensation Committee reallocated 48,000 previouslyforfeited awards, having the same remaining terms and conditions, to certain current employees. The weighted average fair value of theperformance awards granted in fiscal 2020 was $16.90, calculated using the weighted-average fair market value for each award, using aMonte Carlo simulation. In December 2021, the Compensation Committee reallocated an additional 17,500 previously forfeited awards, havingthe same remaining terms and conditions, to other employees. The weighted average fair value of the performance awards reallocated in2021 was $20.34, calculated using the weighted average fair market value for each award, using a Monte Carlo simulation. In October 2023,the Compensation Committee reallocated an additional 15,200 previously forfeited awards, having the same remaining terms and conditions,to other employees. The weighted average fair value of the performance awards reallocated in 2023 was $10.04, calculated using the weightedaverage fair market value for each award, using a Monte Carlo simulation. We recorded share-based compensation expense of $106,000 ineach of the fiscal years ended June 30, 2024 and 2023, respectively, related to these performance awards. We recognize forfeitures forour performance awards as they occur. On June 30, 2024, there was approximately $55,000 of unrecognized compensation cost related to thesenon-vested performance awards expected to be expensed over the weighted-average period of 1.0 years.Â 48Â PRO-DEX, INC. AND SUBSIDIARYNOTES TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â On July 1, 2022, it was determinedby the Compensation Committee of our Board of Directors that the vesting of performance awards for 37,500 shares of common stock had beenachieved. Each participant elected a net issuance to cover their individual withholding taxes and therefore we issued 23,641 shares andpaid $223,000 of participant-related payroll tax liabilities.The following is a summaryof performance awards activity for the fiscal years ended June 30, 2024 and 2023:Â Schedule of summary of stock option activityÂ Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â 2024Â Â 2023Â Â Â Number of SharesÂ Â Weighted-Average Grant Date Fair ValueÂ Â Number of SharesÂ Â Weighted-Average Grant Date Fair ValueÂ Outstanding at July 1,Â Â 64,800Â Â $7.03Â Â Â 117,500Â Â $8.52Â GrantedÂ Â 15,200Â Â Â 10.04Â Â Â â€”Â Â Â â€”Â VestedÂ Â â€”Â Â Â â€”Â Â Â (37,500)Â Â 7.84Â ForfeitedÂ Â â€”Â Â Â â€”Â Â Â (15,200)Â Â 16.54Â Outstanding at June 30 Â Â 80,000Â Â $7.00Â Â Â 64,800Â Â $7.03Â Â Non-Qualified Stock OptionsIn December 2020, the CompensationCommittee of our Board of Directors granted 310,000 non-qualified stock options to our directors and certain employees under the 2016Equity Incentive Plan. Whether any stock options vest, and the amount that does vest, is tied to the completion of service periods thatrange from 18 months to 10.5 years at inception and the achievement of our common stock trading at certain pre-determined prices. We recordedcompensation expense of $490,000 and $647,000 for the fiscal year ended June 30, 2024 and 2023, respectively, related to these options.The weighted average fair value of the stock option awards granted was $16.72, calculated using a Monte Carlo simulation. We recognizeforfeitures for our non-qualified stock options as they occur. As of June 30, 2024, there was approximately $1.6 million of unrecognizedcompensation cost related to these non-vested non-qualified stock options.In February 2021, the CompensationCommittee of our Board of Directors granted 62,000 non-qualified stock options to our directors and certain employees under the 2016 EquityIncentive Plan. Whether any stock options vest, and the amount that does vest, was tied to the completion of service periods that rangedfrom 4 months to 1.3 years at inception and the achievement of our common stock trading at certain pre-determined prices. Of these 62,000stock options, 57,750 vested on July 1, 2021, as our common stock met the pre-determined prices set forth in the underlying agreements.We recorded compensation expense of $182,000 for the fiscal year ended June 30, 2021 related to these options. The weighted average fairvalue of the stock option awards granted was $3.16, calculated using a Monte Carlo simulation. In December 2021, the Compensation Committeeof our Board of Directors granted 5,000 previously forfeited non-qualified stock options to another employee.Â The following is a summary of non-qualifiedstock option activity under the 2016 Equity Incentive Plan for the fiscal year ended JuneÂ 30, 2024 and 2023:Â Schedule of summary of stock option activityÂ Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â 2024Â Â 2023Â Â Â Number of SharesÂ Â Weighted-Average Exercise PriceÂ Â Number of SharesÂ Â Weighted-Average Exercise PriceÂ Outstanding at July 1,Â Â 298,937Â Â $42.19Â Â Â 346,500Â Â $41.83Â Options grantedÂ Â â€”Â Â Â â€”Â Â Â â€”Â Â Â â€”Â Options exercisedÂ Â â€”Â Â Â â€”Â Â Â â€”Â Â Â â€”Â Options forfeitedÂ Â (31,187)Â Â 42.88Â Â Â (47,563)Â Â 39.60Â Outstanding at June 30 Â Â 267,750Â Â $42.11Â Â Â 298,937Â Â $42.19Â Stock Options Exercisable at June 30, Â Â 57,750Â Â $27.50Â Â Â 57,750Â Â $27.50Â Â 49Â PRO-DEX, INC. AND SUBSIDIARYNOTES TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â Employee Stock PurchasePlanIn September 2014, our Boardapproved the establishment of an Employee Stock Purchase Plan (the â€œESPPâ€). The ESPP conforms to the provisions of Section423 of the Internal Revenue Code, has coterminous offering and purchase periods of six months, and bases the pricing at which participantâ€™spurchase shares of our common stock on a formula so as to result in a per share purchase price that approximates a 15% discount from themarket price of a share of our common stock at the end of the purchase period. Our Board of Directors also approved the provision thatshares formerly reserved for issuance under the Former Stock Option Plans in excess of shares issuable pursuant to outstanding options,aggregating 704,715 shares, be reserved for issuance pursuant to the ESPP. The ESPP was approved by our shareholders at our 2014 AnnualMeeting. On February 2, 2015, the Company filed a Registration Statement on Form S-8 registering the 704,715 shares issuable under theESPP under the Securities Act of 1933.In October 2023, our Boardapproved an amendment to the ESPP (the â€œESPP Amendmentâ€), which extended the term of the ESPP for an additional ten yearsfrom January 2025 to

January 2035. The ESPP Amendment was approved by our shareholders at our 2023 Annual Meeting.During the fiscal years endedJune 30, 2024 and 2023, shares totaling 3,004 and 5,459, respectively, were purchased pursuant to the ESPP and allocated to participatingemployees based upon their contributions at weighted- average prices of $16.64 and $14.21, respectively. On a cumulative basis, sincethe inception of the ESPP, employees have purchased a total of 35,502 shares. During the fiscal years ended June 30, 2024 and 2023, werecorded stock compensation expense in the amount of $9,000 and $14,000, respectively, relating to the ESPP.Â Â 11.MAJOR CUSTOMERS & SUPPLIERS Â Customersthat accounted for more than 10% of our total sales in eitherof fiscal year 2024 or 2023, is as follows (in thousands, except percentages): Schedule of sales by major customersÂ Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Years Ended June 30,Â Â Â 2024Â Â 2023Â Â Â AmountÂ Â Percent of TotalÂ Â AmountÂ Â Percent of TotalÂ Â Â Â Â Net sales Â $53,844Â Â Â 100%Â $46,087Â Â Â 100% Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Customer concentration:Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Customer 1Â $38,159Â Â Â 71%Â $30,892Â Â Â 67% Customer 2Â Â 6,502Â Â Â 12%Â Â 7,583Â Â Â 16% TotalÂ $44,661Â Â Â 83%Â $38,475Â Â Â 83% Â Information with respectto accounts receivable from those customers who comprised more than 10% of our gross accounts receivable at either June 30, 2024 or June30, 2023 is as follows (in thousands, except percentages): Schedule of accounts receivable, inventory purchases and accounts payable of major customers and suppliersÂ Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â June 30, 2024Â Â June 30, 2023Â Total gross accounts receivable Â $13,887Â Â Â 100%Â $9,952Â Â Â 100% Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Customer concentration:Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Customer 1Â $10,488Â Â Â 76%Â $7,231Â Â Â 73% Customer 2Â Â 2,423Â Â Â 17%Â Â 1,951Â Â Â 19% TotalÂ $12,911Â Â Â 93%Â $9,182Â Â Â 92% Â Â 50Â PRO-DEX, INC. AND SUBSIDIARYNOTES TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â During fiscal 2024 and 2023,we had three and four suppliers, respectively, that accounted for more than 10% of total inventory purchases, as follows (in thousands,except percentages): Â Â June 30, 2024Â Â June 30, 2023Â Total inventory purchases Â $20,926Â Â Â 100%Â $19,835Â Â Â 100% Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Supplier concentration:Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Supplier 1Â $5,004Â Â Â 24%Â $4,595Â Â Â 23% Supplier 2Â Â 2,401Â Â Â 11%Â Â 2,406Â Â Â 12% Supplier 3Â Â 3,351Â Â Â 16%Â Â 2,135Â Â Â 11% Supplier 4Â Â 158Â Â Â 1%Â Â 2,059Â Â Â 10% Total.Â $10,914Â Â Â 52%Â $11,195Â Â Â 56% Â Information with respect to accounts payable due to ourtop three suppliers at June 30, 2024 or June 30, 2023 is as follows (in thousands, except percentages):Â Â Â June 30, 2024Â Â June 30, 2023Â Total accounts payable Â $4,513Â Â Â 100%Â $2,261Â Â Â 100% Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Supplier concentration:Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Supplier 1Â $1,405Â Â Â 31%Â $620Â Â Â 27% Supplier 3Â Â 416Â Â Â 9%Â Â 158Â Â Â 7% Supplier 2Â Â 371Â Â Â 8%Â Â 41Â Â Â 2% Total.Â $2,192Â Â Â 48%Â $819Â Â Â 36% Â Â 12.NET INCOME PER SHAREÂ Wecalculate basic earnings per share by dividing net income by the weighted-average number of common shares outstanding during the reportingperiod. Diluted earnings per share reflects the effects of potentially dilutive securities. The summary of the basic and diluted earningsper share calculations for the years ended June 30, 2024 and 2023 is as follows (in thousands, except per share data): Schedule of net income per shareÂ Â Â Â Â Â Â Â Â Â Years Ended June 30,Â Â Â 2024Â Â 2023Â Basic:Â Â Â Â Â Â Net income Â $2,127Â Â $7,074Â Weighted-average shares outstanding Â Â 3,499Â Â Â 3,571Â Basic earnings per share Â $0.61Â Â $1.98Â Diluted:Â Â Â Â Â Â Â Â Net income Â $2,127Â Â $7,074Â Weighted-average shares outstanding Â Â 3,499Â Â Â 3,571Â Effect of dilutive securities â€“ stock options & performance awards Â Â 72Â Â Â 66Â Weighted-average shares used in calculation of diluted earnings per share Â Â 3,571Â Â Â 3,637Â Diluted earnings per share Â $0.60Â Â $1.95Â Â Â 51Â PRO-DEX, INC. AND SUBSIDIARYNOTES TO CONSOLIDATED FINANCIAL STATEMENTSÂ Â Â 13.COMMON STOCK â€“ Share Repurchase ProgramIn December 2019, our Boardapproved a new share repurchase program authorizing us to repurchase up to one million shares of our common stock, as the prior repurchaseplan authorized by our Board in 2013 was nearing completion. In accordance with, and as part of, these shares repurchase programs, ourBoard approved the adoption of several prearranged share repurchase plans intended to qualify for the safe harbor provided by Rule 10b5-1under the Securities Exchange Act of 1934, as amended (â€œ10b5-1 Planâ€ or â€œPlanâ€). During the fiscal year endedJune 30, 2024, we repurchased 184,901shares at an aggregate cost, inclusive of fees under the Plan, of $3.5million. During the fiscal year ended June 30, 2023, we repurchased 86,422shares at an aggregate cost, inclusive of fees under the Plan, of $1.5million. On a cumulative basis, since 2013 we have repurchased a total of 1,381,349shares under the share repurchase programs at an aggregate cost, inclusive of fess under the Plan, of $20.7million. All repurchases under the 10b5-1 Plans were administered through an independent broker.Â 14.SUBSEQUENT EVENTSOn July 31, 2024 (theâ€œFourth Amendment Dateâ€), we entered into Amendment No. 4 to our Amended and Restated Credit Agreement (the â€œFourthAmendmentâ€) with MBT which amends the Companyâ€™s Amended Credit Agreement. The Fourth Amendment (i) provides for a new termloan, Term Loan C, in the amount of $5,000,000, (ii) uses the proceeds from Term Loan C to repay the entire $3,000,000 balance that wasoutstanding on the Fourth Amendment Date under the Amended Revolving Loan, and (iii)Â terminates the Supplemental Loan, under whichno amounts had been drawn. Loan origination fees in the amount of $10,000 were paid to MBT in conjunction with Term Loan C.Â Â Â 52Â Â Â ITEM 9.CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSUREÂ None.ITEM 9A.CONTROLS AND PROCEDURESOur Chief Executive Officer(our principal executive officer) and Chief Financial Officer (our principal financial officer and principal accounting officer) haveconcluded, based on their evaluation as of June 30, 2024, that the design and operation of our â€œdisclosure controls and proceduresâ€(as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (â€œExchange Actâ€)) werenot effective at a reasonable assurance level to ensure that information required to be disclosed by us in the reports filed or submittedby us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SECâ€™s rulesand forms, including to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Actis accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate toallow timely decisions regarding required disclosure.Our management is responsiblefor establishing and maintaining adequate â€œinternal control over financial reportingâ€ (as defined in Rule 13a-15(f) underthe Exchange Act). Under the supervision and with the participation of our management, including our principal executive officer, principalfinancial officer, and principal accounting officer, we conducted an evaluation of the effectiveness of our internal control over financialreporting based on the framework set forth in the 2013 Internal Control â€“ Integrated Framework issued by the Committee ofSponsoring Organizations of the Treadway Commission in May 2013. Based on this evaluation, and as a result of the material weaknessesdescribed below, our management concluded that our internal control over financial reporting was not effective as of June 30, 2024.Our internal control overfinancial reporting is supported by written policies and procedures that:(1) pertain to the maintenanceof records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;(2) provide reasonable assurancethat transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accountingprinciples, and that receipts and expenditures of our Company are being made only in accordance with authorizations of our managementand directors; and(3) provide reasonable assuranceregarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effecton the financial statements.Because of its inherentlimitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation ofeffectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or thatthe degree of compliance with the policies or procedures may deteriorate.This Form 10-K does notinclude an attestation report of our registered public accounting firm regarding internal control over financial reporting. Managementâ€™sreport was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that apply to certain smallerreporting companies that permit us to provide only managementâ€™s attestation in this annual report.Material WeaknessesA material weakness is described as a deficiency,or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a materialmisstatement of a companyâ€™s annual and interim financial statements will not be prevented or detected on a timely basis.The Company did not maintaineffective controls related to the existence of inventory. In connection with our year-end procedures, we performed a full physical inventorywhich contained errors. Although we successfully completed our physical inventory observation and recorded all errors identified, basedon the material value of inventory we own, management determined that reliance on other compensating controls, including cycle countsand controls related to inventory receipts and issuances, was insufficient to ensure that there is not a reasonable possibility that amaterial misstatement of our annual or interim financial statements would not be prevented or detected in a timely basis.These material weaknessesdid not result in any material misstatement in our financial statements or disclosures. Management has concluded that our consolidatedfinancial statements included in this report present fairly, in all material respects, our financial position, results of operations,and cash flows for the periods presented, in conformity with U.S. GAAP.Â 53Â   Â Remediation MeasuresTo address the materialweakness related to controls over the existence of inventory, the Company will reinforce the following:Â·Continue our robust cycle countprocess which we implemented in the fourth quarter of fiscal 2024 for all of fiscal 2025Â·Ensure adequate review and oversightof cycle count procedures and resultsÂ·Providing training related to standardoperating procedures and internal controls to key stakeholders within the stockroom, material handling and operations teams.Â Remediation Measuresrelated to the Valuation and Disclosure of InvestmentsAs previouslydisclosed, material weaknesses existed relating to the controls related to the valuation and disclosure of level 3 investmentsduring fiscal 2023 and level 2 investments during the three months ended December 31, 2023. During fiscal 2024, we designed internalcontrols related to valuation and disclosure of level 3 financial instruments pursuant to the guidance in ASC Topic, Derivativesand Hedging, and determined that we did not hold any level 3 financial instruments as of June 30, 2024. These new internalcontrols will be applied to any future derivative or level 3 instrument that we receive. We also designed and implemented internalcontrols related to the review and approval of the valuation and disclosure of level 2 investments that were implemented during thefourth quarter of fiscal 2024.Changes in Internal ControlOver Financial ReportingExcept as discussed above,during the quarter ended June 30, 2024, there were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f)and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal controlsover financial reporting.ITEM 9B.OTHER INFORMATIONInsiderTrading Arrangements and PoliciesÂ Duringthe quarter ended June 30, 2024, no director or officer of the Company adopted or terminated a â€œRule10b5-1 trading arrangementâ€ or â€œnon-Rule 10b5-1 trading arrangementâ€ as each term is defined in Item 408(a) ofRegulation S-K.ITEM 9C.DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONSNone.Â 54Â   Â PART IIIITEM 10.DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCEThe information requiredby this Item is incorporated herein by reference to our definitive Proxy Statement, which will be filed within 120 days of June 30,2024, and delivered to shareholders in connection with our 2024 annual meeting of shareholders.ITEM 11.EXECUTIVE COMPENSATIONThe information requiredby this Item is incorporated herein by reference to our definitive Proxy Statement, which will be filed within 120Â days of June 30,2024, and delivered to shareholders in connection with our 2024 annual meeting of shareholders.ITEM 12.SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERSThe information requiredby this Item is incorporated herein by reference to our definitive Proxy Statement, which will be filed within 120Â days of June 30,2024, and delivered to shareholders in connection with our 2024 annual meeting of shareholders.ITEM 13.CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCEThe information requiredby this Item is incorporated herein by reference to our definitive Proxy Statement, which will be filed within 120Â days of June 30,2024, and delivered to shareholders in connection with our 2024 annual meeting of shareholders.ITEM 14.PRINCIPAL ACCOUNTING FEES AND SERVICESThe information requiredby this Item is incorporated herein by reference to our definitive Proxy Statement, which will be filed within 120Â days of June 30,2024, and delivered to shareholders in connection with our 2024 annual meeting of shareholders. 55Â   Â PART IVITEM 15.EXHIBIT AND FINANCIAL STATEMENT SCHEDULES(a)Financial Statements and Financial Statement Schedules(1)Financial Statements are listed in the index included under Item 8 of this Report.Â (b)ExhibitsÂ Exhibit Â Â Â Â Â Â Â Filed or Furnished Number Â Exhibit Description Â Form Â Exhibit Â Filing Date Â Herewith 3.1 Â Articles of Incorporation Â 8-K Â 3.1 Â 4/23/2007 Â Â 3.2 Â Articles of Amendment to Articles of Incorporation Â 8-K Â 3.1 Â 12/5/2007 Â Â 3.3 Â Articles of Amendment to Articles of Incorporation Â 8-K Â 3.1 Â 6/18/2010 Â Â 3.4 Â Amended and Restated Bylaws, dated January 31, 2011 Â 8-K Â 3.1 Â 2/4/2011 Â Â 4.1 Â Description of Company's Common Stock Registered Pursuant to Section 12 of the Securities Act of 1934 Â Â Â Â Â Â Â X 10.1* Â Second Amended and Restated 2004 Stock Option Plan Â S-8 Â 4.1 Â 2/15/2012 Â Â 10.2* Â Amended and Restated 2004 Directors Stock Option Plan Â S-8 Â 4.2 Â 2/15/2012 Â Â 10.3* Â Pro-Dex, Inc. 2016 Equity Incentive Plan Â Â 14A Â Appendix A Â 10/17/2016 Â Â 10.4* Â Form of Indemnification Agreement for directors and certain officers Â 8-K Â 10.1 Â 10/29/2008 Â Â 10.5 Â Lease agreement with Irvine Business Properties, dated August 3, 2007 Â 8-K Â 10.1 Â 8/23/2007 Â Â 10.6 Â First Amendment to Lease - July 2013 by and between Irvine Business Properties and Pro-Dex, Inc. dated effective July 1, 2013 Â 8-K Â 10.1 Â 7/17/2013 Â Â 10.7* Â Pro-Dex, Inc. Amended and Restated Employee Severance Policy effective as of September 16, 2016 Â 10-Q Â 10.5 Â 5/14/2015 Â Â 10.8 Â Second Amended to Standard Industrial/Commercial Multi-Tenant Lease - Net by and between Irvine Business Properties and Pro-Dex, Inc., dated September 19, 2017 Â 8-K Â 10.1 Â 9/20/2017 Â Â Â Â Â Â Â 56Â Â Â Exhibit Â Â Â Â Â Â Â Filed or Furnished Number Â Exhibit Description Â Form Â Exhibit Â Filing Date Â Herewith 10.9* Â Form of

Performance Award Agreement for Employees of Pro-Dex, Inc. - 2016 Equity Incentive Plan Â 8-K Â 10.1 Â 12/8/2017 Â Â 10.10 Â Credit Agreement, dated September 6, 2018 between Pro-Dex, Inc. and Minnesota Bank & Trust Â 8-K Â 10.1 Â 9/7/2018 Â Â 10.11 Â Security Agreement, dated September 6, 2018 by Pro-Dex, Inc. in favor of Minnesota Bank & Trust Â 8-K Â 10.2 Â 9/7/2018 Â Â 10.12 Â Term Note A, dated September 6, 2018 by Pro-Dex, Inc. in favor of Minnesota Bank & Trust Â 8-K Â 10.3 Â 9/7/2018 Â Â 10.13 Â Revolving Credit Note, dated September 6, 2018 by Pro-Dex, Inc. in favor of Minnesota Bank & Trust Â 8-K Â 10.4 Â 9/7/2018 Â Â 10.14 Â Change in Terms Agreement dated September 6, 2018 by Pro-Dex, Inc. in favor of Minnesota Bank & Trust Â 8-K Â 10.1 Â 10/1/2019 Â Â 10.15 Â Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate by and between Pro-Dex, Inc. and 14401 Franklin, LLC Â 8-K Â 10.1 Â 9/8/2020 Â Â 10.16 Â Loan Agreement dated November 6, 2020 made by and between PDEX Franklin LLC and Minnesota Bank & Trust Â 8-K Â 10.1 Â 11/12/2020 Â Â 10.17 Â Term Note dated November 6, 2020 made by PDEX Franklin LLC in favor of Minnesota Bank & Trust Â 8-K Â 10.2 Â 11/12/2020 Â Â 10.18 Â Deed of trust with Assignment of Leases and Rents, Security Agreement and Fixture Filing dated November 6, 2020 by and between PDEX Franklin LLC and Minnesota Bank & Trust Â 8-K Â 10.3 Â 11/12/2020 Â Â 10.19 Â Assignment of Leases and Rents dated November 6, 2020 by and between PDEX Franklin LLC and Minnesota Bank & Trust Â 8-K Â 10.4 Â 11/12/2020 Â Â 10.20 Â Amended and Restated Credit Agreement dated November 6, 2020 by and between Pro-Dex, Inc. and Minnesota Bank & Trust Â 8-K Â 10.5 Â 11/12/2020 Â Â Â Â Â 57Â Â Â Exhibit Â Â Â Â Â Â Â Filed or Furnished Number Â Exhibit Description Â Form Â Exhibit Â Filing Date Â Herewith 10.21 Â Amended and Restated Term Note A dated November 6, 2020 made by Pro-Dex, Inc. in favor of Minnesota Bank & Trust Â 8-K Â 10.6 Â 11/12/2020 Â Â 10.22 Â Term Note B dated November 6, 2020 made by Pro-Dex, Inc. in favor of Minnesota Bank & Trust Â 8-K Â 10.7 Â 11/12/2020 Â Â 10.23 Â Amended and Restated Revolving Credit Agreement dated November 6, 2020 made by Pro-Dex, Inc. in favor of Minnesota Bank & Trust Â 8-K Â 10.8 Â 11/12/2020 Â Â 10.24* Â Form of Stock Option Agreement for Directors and Employees of Pro-Dex, Inc. - 2016 Equity Incentive Plan Â 8-K Â 10.1 Â 12/11/2020 Â Â 10.25 Â At the Market Offering Agreement dated December 31, 2020, by and between Pro-Dex, Inc. and Ascendiant Capital Markets, LLC Â 8-K Â 10.1 Â 12/31/2020 Â Â 10.26 Â Amendment No. 1 to Amended and Restated Credit Agreement dated November 5, 2021 by and between Pro-Dex, Inc. and Minnesota Bank & Trust Â 8-K Â 10.1 Â 11/9/2021 Â Â 10.27 Â Amended and Restated Revolving Credit Note dated November 5, 2021 made by Pro-Dex, Inc. in favor of Minnesota Bank & Trust Â 8-K Â 10.2 Â 11/9/2021 Â Â 10.28 Â Amendment No. 2 to Amended and Restated Credit Agreement dated December 29,2022 by and between Pro-Dex, Inc. and Minnesota Bank & Trust, a division of HTLF Bank Â 8-K Â 10.1 Â 1/5/2023 Â Â 10.29 Â Amended and Restated Revolving Credit Note dated December 29, 2022made by Pro-Dex, Inc. in favor of Minnesota Bank & Trust, a division of HTLF Bank Â 8-K Â 10.2 Â 1/5/2023 Â Â 10.30 Â Supplemental Revolving Credit Note dated December 29, 2022 made by Pro-Dex, Inc. in favor of Minnesota Bank & Trust, a division of HTLF Bank Â 8-K Â 10.3 Â 1/5/2023 Â Â 10.31 Â Warrant to Purchase Stock dated December 20, 2018 made by Monogram Orthopaedics Inc. in favor of Pro-Dex, Inc. Â 10-KÂ Â 10.31Â Â 10/13/2023Â Â Â 10.32 Â Amendment No. 3 to Amended and Restated Credit Agreement dated December29, 2023 by and between Pro-Dex, Inc. and Minnesota Bank & Trust, a division of HTLF Bank Â 8-KÂ Â 10.1 Â 1/3/2024Â Â Â Â Â 58Â Â Â Â Exhibit Â Â Â Â Â Â Â Filed or Furnished Number Â Exhibit Description Â Form Â Exhibit Â Filing Date Â Herewith 21 Â Subsidiaries Â Â Â Â Â Â Â X 23 Â Consent of Independent Registered Public Accounting Firm Â Â Â Â Â Â Â X 31.1 Â Certification of the Chief Executive Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Â Â Â Â Â Â Â X 31.2 Â Certification of the Chief Financial Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Â Â Â Â Â Â Â X 32 Â Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Â Â Â Â Â Â Â XÂ Â Â Â Â Â Â Â Â Â Â 97 Â Pro-Dex, Inc. Compensation Recovery Policy adopted by the Compensation Committee of the Board of Directors on December 1, 2023. Â Â Â Â Â Â Â XÂ Â Â Â Â Â Â Â Â Â 101.INS Â Inline XBRL Instance Document Â Â Â Â Â Â Â X 101.SCH Â Inline XBRL Taxonomy Extension Schema Document Â Â Â Â Â Â Â X 101.CAL Â Inline XBRL Taxonomy Extension Calculation Linkbase Document Â Â Â Â Â Â Â X 101.DEF Â Inline XBRL Taxonomy Extension Definition Linkbase Document Â Â Â Â Â Â Â X 101.LAB Â Inline XBRL Taxonomy Extension Label Linkbase Document Â Â Â Â Â Â Â X 101.PRE Â Inline XBRL Taxonomy Extension Presentation Linkbase Document Â Â Â Â Â Â Â X 104 Â Cover Page Interactive Date File Â Â Â Â Â Â Â XÂ * Â Denotes management contract or compensatory arrangement. ITEM 16.FORM 10-K SUMMARYNone. 59Â Â SIGNATURESPursuant to the requirementsof Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf bythe undersigned, thereunto duly authorized, on September 5, 2024. PRO-DEX, INC. Â By: Â Richard L. Van Kirk Richard L. Van Kirk President, Chief Executive Officer and Director (Principal Executive Officer) Â Â POWER OF ATTORNEYWe, the undersigned directorsand officers of Pro-Dex, Inc., do hereby constitute and appoint Richard L. Van Kirk, as our true and lawful attorney-in-fact and agentwith power of substitution, to do any and all acts and things in our name and behalf in our capacities as directors and officers and toexecute any and all instruments for us and in our names in the capacities indicated below, which such attorney-in-fact and agent may deemnecessary or advisable to enable said corporation to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulationsand requirements of the Securities and Exchange Commission, in connection with this Annual Report on Form 10-K, including specificallybut without limitation, power and authority to sign for us or any of us in our names in the capacities indicated below, any and all amendmentshereto; and we do hereby ratify and confirm all that said attorney-in-fact and agent shall do or cause to be done by virtue hereof.Pursuant to the requirementsof the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and inthe capacities and on the dates indicated. Signature Title Date Â Â Â /s/ Richard L. Van Kirk Richard L. Van Kirk President, Chief Executive Officer, and Director (Principal Executive Officer) September 5, 2024 Â Â Â /s/ Alisha K. Charlton Alisha K. Charlton Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) September 5, 2024 Â Â Â /s/ Nicholas J. Swenson Nicholas J. Swenson Chairman of the Board, Director September 5, 2024 Â Â Â /s/ Raymond E. Cabillot Raymond E. Cabillot Director September 5, 2024 Â Â Â /s/ Angelita R. Domingo Angelita R. Domingo Â Director September 5, 2024 /s/ William J. Farrell III William J. Farrell III Director September 5, 2024 Â Â Â /s/ David C. Hovda David C. Hovda Director September 5, 2024 Â Â Â /s/ Katrina M.K. Philp Katrina M.K. Philp Director September 5, 2024 Â Â Â Â Â Â 60Â Â INDEX TO EXHIBITS Â Â Â ExhibitNo. Â Description Â Â Â 3.1 Â Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Companyâ€™s Form 8-K filed April 23, 2007). Â Â Â 3.2 Â Articles of Amendment to Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 to the

Companyâ€™s Form 8-K filed December 5, 2007). Â Â Â 3.3 Â Articles of Amendment to Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Companyâ€™s Form 8-K filed June 18, 2010). Â Â Â 3.4 Â Amended and Restated Bylaws, dated January 31, 2011 (incorporated herein by reference to Exhibit 3.1 to the Companyâ€™s Form 8-K filed February 4, 2011). Â Â Â 4.1 â„¦ Â Description of the Companyâ€™s Common Stock Registered Pursuant to Section 12 of the Securities Act of 1934. Â Â Â 10.1* Â Second Amended and Restated 2004 Stock Option Plan (incorporated herein by reference to Exhibit 4.1 to the Companyâ€™s Form S-8 filed February 15, 2012). Â Â Â 10.2* Â Amended and Restated 2004 Directors Stock Option Plan (incorporated herein by reference to Exhibit 4.2 to the Companyâ€™s Form S-8 filed February 15, 2012). Â Â Â 10.3* Â Pro-Dex, Inc. 2016 Equity Incentive Plan (incorporated herein by reference to Appendix A to our Schedule 14A filed OctoberÂ 17, 2016). Â Â Â 10.4* Â Form of Indemnification Agreement for directors and certain officers (incorporated herein by reference to Exhibit 10.1 to the Companyâ€™s Form 8-K filed OctoberÂ 29, 2008). Â Â Â 10.5 Â Lease agreement with Irvine Business Properties, dated August 3, 2007 (incorporated herein by reference to Exhibit 10.1 to the Companyâ€™s Form 8-K filed AugustÂ 23, 2007). Â Â Â 10.6 Â First Amendment To Lease â€“ July 2013 by and between Irvine Business Properties and Pro-Dex, Inc., dated effective July 1, 2013 (incorporated herein by reference to Exhibit 10.1 to the Companyâ€™s Form 8-K filed July 17, 2013). Â Â Â Â Â 10.7* Â Pro-Dex, Inc. Amended and Restated Employee Severance Policy effective as of September 16, 2014 (incorporated herein by reference to Exhibit 10.5 to the Companyâ€™s Form 10-Q filed May 14, 2015). Â Â Â Â Â 10.8 Â Second Amendment to Standard Industrial/Commercial Multi-Tenant Lease â€“ Net by and between Irvine Business Properties and Pro-Dex, Inc., dated September 19, 2017 (incorporated herein by reference to Exhibit 10.1 to the Companyâ€™s Form 8-K filed on September 20, 2017). Â Â Â Â Â 10.9* Â Form of Performance Award Agreement for Employees of Pro-Dex, Inc. â€“ 2016 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Companyâ€™s Form 8-K filed on December 8, 2017). Â Â Â Â Â 10.10 Â Credit Agreement, dated September 6, 2018 between Pro-Dex, Inc. and Minnesota Bank & Trust (incorporated herein by reference to Exhibit 10.1 to the Companyâ€™s Form 8-K filed on September 7, 2018). Â Â Â 61Â Â Â Â Â Â Â 10.11 Â Security Agreement, dated September 6, 2018 by Pro-Dex, Inc. in favor of Minnesota Bank & Trust (incorporated herein by reference to Exhibit 10.2 to the Companyâ€™s Form 8-K filed on September 7, 2018). Â Â Â Â Â 10.12 Â Term Note A, dated September 6, 2018 by Pro-Dex, Inc. in favor of Minnesota Bank & Trust (incorporated herein by reference to Exhibit 10.3 to the Companyâ€™s Form 8-K filed on September 7, 2018). Â Â Â Â Â 10.13 Â Revolving Credit Note, dated September 6, 2018 by Pro-Dex, Inc. in favor of Minnesota Bank & Trust (incorporated herein by reference to Exhibit 10.4 to the Companyâ€™s Form 8-K filed on September 7, 2018). Â Â Â Â Â 10.14 Â Change in Terms Agreement dated September 6, 2019 by and between Minnesota Bank & Trust and Pro-Dex, Inc. (incorporated herein by reference to Exhibit 10.1 to the Companyâ€™s Form 8-K filed on October 1, 2019). Â Â Â Â Â 10.15 Â Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate by and between Pro-Dex, Inc. and 14401 Franklin, LLC. (incorporated herein by reference to Exhibit 10.1 to the Companyâ€™s Form 8-K filed on September 8, 2020). Â Â Â Â Â 10.16 Â Loan Agreement dated November 6, 2020 by and between PDEX Franklin LLC and Minnesota Bank & Trust (incorporated herein by reference to ExhibitÂ 10.1 to the Companyâ€™s Form 8-K filed November 12, 2020). Â Â Â Â Â 10.17 Â Term Note dated November 6, 2020 made by PDEX Franklin LLC in favor of Minnesota Bank & Trust (incorporated herein by reference to ExhibitÂ 10.2 to the Companyâ€™s Form 8-K filed November 12, 2020). Â Â Â Â Â 10.18 Â Deed of Trust with Assignment of Leases and Rents, Security Agreement and Fixture Filing dated November 6, 2020 by and between PDEX Franklin LLC and Minnesota Bank & Trust (incorporated herein by reference to ExhibitÂ 10.3 to the Companyâ€™s Form 8-K filed November 12, 2020). Â Â Â Â Â 10.19 Â Assignment of Leases and Rents dated November 6, 2020 by and between PDEX Franklin LLC and Minnesota Bank & Trust (incorporated herein by reference to ExhibitÂ 10.4 to the Companyâ€™s Form 8-K filed November 12, 2020). Â Â Â Â Â 10.20 Â Amended and Restated Credit Agreement dated November 6, 2020 by and between Pro-Dex, Inc. and Minnesota Bank & Trust (incorporated herein by reference to ExhibitÂ 10.5 to the Companyâ€™s Form 8-K filed November 12, 2020). Â Â Â Â Â 10.21 Â Amended and Restated Term Note A dated November 6, 2020 made by Pro-Dex, Inc. in favor of Minnesota Bank & Trust (incorporated herein by reference to ExhibitÂ 10.6 to the Companyâ€™s Form 8-K filed November 12, 2020). Â Â Â Â Â 10.22 Â Term Note B dated November 6, 2020 made by Pro-Dex, Inc. in favor of Minnesota Bank & Trust (incorporated herein by reference to ExhibitÂ 10.7 to the Companyâ€™s Form 8-K filed November 12, 2020). Â Â Â Â Â 10.23 Â Amended and Restated Revolving Credit Agreement dated November 6, 2020 made by Pro-Dex, Inc. in favor of Minnesota Bank & Trust (incorporated herein by reference to ExhibitÂ 10.8 to the Companyâ€™s Form 8-K filed November 12, 2020). Â Â Â 62Â Â Â Â Â Â Â 10.24* Â Form of Stock Option Agreement for Directors and Employees of Pro-Dex, Inc. â€“ 2016 Equity Incentive Plan (incorporated herein by reference to ExhibitÂ 10.1 to the Companyâ€™s Form 8-K filed December 11, 2020). Â Â Â 10.25 Â At the Market Offering Agreement dated December 31, 2020, by and between Pro-Dex, Inc. and Ascendiant Capital Markets, LLC (incorporated herein by reference to ExhibitÂ 10.1 to the Companyâ€™s Form 8-K filed December 31, 2020). Â Â Â 10.26 Â Amendment No. 1 to Amended and Restated Credit Agreement dated November 5, 2021 by and between Pro-Dex, Inc. and Minnesota Bank & Trust (incorporated herein by reference to ExhibitÂ 10.1 to the Companyâ€™s Form 8-K filed November 9, 2021). Â Â Â 10.27 Â Amended and Restated Revolving Credit Note dated November 5, 2021made by Pro-Dex, Inc. in favor of Minnesota Bank & Trust (incorporated herein by reference to ExhibitÂ 10.2 to the Companyâ€™sForm 8-K filed November 9, 2021).Â Â Â Â 10.28 Â Amendment No. 2 to Amended and Restated Credit Agreement dated December 29, 2022 by and between Pro-Dex, Inc. and Minnesota Bank & Trust, a division of HTLF Bank (incorporated herein by reference to ExhibitÂ 10.1 to the Companyâ€™s Form 8-K filed January 5, 2023). Â Â Â 10.29 Â Amendment and Restated Revolving Credit Note dated December 29, 2022 made by Pro-Dex, Inc. in favor of Minnesota Bank & Trust, a division of HTLF Bank (incorporated herein by reference to ExhibitÂ 10.2 to the Companyâ€™s Form 8-K filed January 5, 2023). Â Â Â 10.30 Â Supplemental Revolving Credit Note dated December 29, 2022 made byPro-Dex, Inc. in favor of Minnesota Bank & Trust, a division of HTLF Bank (incorporated herein by reference to ExhibitÂ 10.3to the Companyâ€™s Form 8-K filed January 5, 2023. Â Â Â 10.31 Â Warrant to Purchase Stock dated December 20, 2018 made by MonogramOrtohpaedics Inc. in favor of Pro-Dex, Inc. (incorporated herein by reference to Exhibit 10.31 to the Companyâ€™s Form 10-K filedOctober 13, 2023). Â Â Â 10.32 Amendment No. 3 to Amended and Restated Credit Agreement dated December29, 2023 by and between Pro-Dex, Inc. and Minnesota Bank & Trust, a division of HTLF Bank (incorporated herein by reference to Exhibit10.1 to the Companyâ€™s Form 8-K filed January 3, 2024). Â Â Â 21 â„¦ Â Subsidiaries Â Â Â 23 â„¦ Â Consent of Independent Registered Public Accounting Firm. Â Â Â 31.1 â„¦ Â Certification of the Chief Executive Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Â Â Â 31.2 â„¦ Â Certification of the

Chief Financial Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Â Â Â 32 â„¦ Â Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Â Â Â 97 Â Pro-Dex, Inc. Compensation Recovery Policy adopted by the CompensationCommittee of the Board of Directors on December 1, 2023. Â Â Â 101.INS Â Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document) Â Â Â 101.SCH Â Inline XBRL Taxonomy Extension Schema Document Â Â Â 101.CAL Â Inline XBRL Taxonomy Extension Calculation Linkbase Document Â Â Â 101.DEF Â Inline XBRL Taxonomy Extension Definition Linkbase Document Â Â Â 101.LAB Â Inline XBRL Taxonomy Extension Label Linkbase Document Â Â Â 101.PRE Â Inline XBRL Taxonomy Extension Presentation Linkbase Document Â Â Â 104 Â Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) Â Â Â â„¦ Â Filed herewith. * Â Denotes management contract or compensatory arrangement. Â Â Â EXHIBIT 4.1Description of the Companyâ€™s CommonStockRegistered Pursuant to Section 12 of theSecurities Exchange Act of 1934The following summaryof Pro-Dex, Inc.â€™s common stock does not purport to be complete and is subject to and qualified in its entirety by reference toour Articles of Incorporation, as amended (â€œArticles of Incorporationâ€), and Amended and Restated Bylaws (â€œBylawsâ€).For a complete description of the terms and provisions of our capital stock, including our common stock, refer to the Articles of Incorporationand the Bylaws, which are filed as exhibits to this Annual Report on Form 10-K.GeneralAs of September 5, 2024,our authorized capital stock consists of (i) 50,000,000 shares of common stock, no par value per share, and (ii) 10,000,000 shares ofpreferred stock, no par value per share. As of September 4, 2024, 3,358,057 shares of common stock were issued and outstanding and noshares of preferred stock were issued and outstanding. Our common stock is our only class of securities registered under SectionÂ 12of the Securities Exchange Act of 1934.Common StockThe holders of our commonstock are entitled to one vote for each share of common stock held of record on all matters submitted to a vote of our shareholders, includingthe election of directors, and do not have cumulative voting rights. Subject to preferences that may be applicable to any outstandingof our preferred stock, holders of common stock are entitled to receive ratably those dividends, if any, as may be declared by our Boardof Directors out of legally available funds. Subject to the rights of any outstanding preferred stock, upon the Companyâ€™s liquidation,dissolution or winding-up, the holders of common stock will be entitled to share ratably in the net assets legally available for distributionto our shareholders after the payment of all of our debts and other liabilities. Holders of common stock have no preemptive or conversionrights or other subscription rights and there are no redemption or sinking fund provisions applicable to our common stock. All outstandingshares of common stock are fully paid and nonassessable.Our Board of Directors hasthe authority, without further action by our shareholders (other than such approval rights as may be granted to any outstanding seriesof preferred stock), to designate and issue one or more series of preferred stock and to fix the rights, powers, preferences, qualifications,limitations and restrictions of each series of preferred stock to the maximum extent permitted by Colorado law. The issuance of preferredstock could decrease the amount of earnings and assets available for distribution to holders of common stock or adversely affect the rightsand powers, including voting rights, of the holders of common stock. The existence of authorized but unissued preferred stock may alsodiscourage or render more difficult attempts to take control of the Company, as described in more detail below under â€œAnti-TakeoverProvisions of Governing Documents.â€Broadridge Corporate IssuerSolutions, Inc. is the transfer agent for our common stock.Our common stock is listedon the NASDAQ Capital Market under the symbol â€œPDEXâ€.Anti-Takeover Provisions of Governing DocumentsOur Bylaws require thatour shareholders satisfy certain advance notice and other requirements in order to properly submit proposals or director nominees forconsideration at our annual meetings of shareholders.As discussed above, ourBoard of Directors has the authority, without further action by our shareholders (other than such approval rights as may be granted toany outstanding series of preferred stock), to designate and issue one or more series of preferred stock and to fix the rights, powers,preferences, qualifications, limitations, and restrictions of each series of preferred stock to the maximum extent permitted by Coloradolaw. The existence of authorized but unissued preferred stock may enable our Board of Directors to render more difficult or to discouragean attempt to obtain control of the Company by means of a merger, tender offer, proxy contest or otherwise. Among other things, if inthe due exercise of its fiduciary obligations, our Board of Directors were to determine that a takeover proposal is not in the best interestsof the Company and our shareholders, our Board of Directors could cause shares of preferred stock to be designated and issued withoutfurther shareholder approval in one or more private offerings or other transactions that might dilute the voting or other rights of theproposed acquirer or insurgent shareholder or shareholder group.Â Â EXHIBIT 21PRO-DEX, INC.Subsidiaries Name Jurisdiction of Organization PDEX Franklin LLC California Â EXHIBIT 23Â Consent of Independent Registered Public Accounting FirmÂ Â We consentto the incorporation by reference in the Registration Statements on FormÂ S-3 (No. 333-215032) and Form S-8 (No. 333-214944, No.333-201825, No. 333-179536, No. 333-141178, and No.Â 333-112133) of Pro-Dex, Inc. (the â€œCompanyâ€), of our report datedSeptember 5, 2024, relating to the consolidated financial statements of the Company, appearing in this Annual Report on FormÂ 10-Kof the Company for the year ended June 30, 2024.Â /s/ MossAdams LLPÂ Irvine, CaliforniaSeptember5, 2024 EXHIBIT 31.1Â Certification of Chief Executive Officer Pursuant to Section 302 of theSarbanes-Oxley Act of 2002I, Richard L. Van Kirk, certify that:1.I have reviewed this Form 10-K of Pro-Dex, Inc.;2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit tostate a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, notmisleading with respect to the period covered by this report;3.Based on my knowledge, the financial statements, and other financial information included in this report,fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for,the periods presented in this report;4.I am responsible for establishing and maintaining disclosure controls and procedures (as defined in ExchangeAct Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures tobe designed under my supervision, to ensure that material information relating to registrant, including its consolidated subsidiaries,is made known to me by others within those entities, particularly during the period in which this report is being prepared;b)Designed such internal control over financial reporting, or caused such internal control over financialreporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and thepreparation of financial statements for external purposes in accordance with generally accepted accounting principles;c)Evaluated the effectiveness of the registrantâ€™s disclosure controls and procedures and presentedin this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered bythis report based on such evaluation;

andd)Disclosed in this report any change in the registrantâ€™s internal control over financial reportingthat occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of anannual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control overfinancial reporting; and5.I have disclosed, based on my most recent evaluation of internal control over financial reporting, tothe registrantâ€™s auditors and the audit committee of registrantâ€™s board of directors (or persons performing the equivalentfunctions):a)all significant deficiencies and material weaknesses in the design or operation of internal controls overfinancial reporting which are reasonably likely to adversely affect the registrantâ€™s ability to record, process, summarize and reportfinancial information; andb)any fraud, whether or not material, that involves management or other employees who have a significantrole in the registrantâ€™s internal control over financial reporting.Â Date: September 5, 2024 /s/ Richard L. Van Kirk Richard L. Van Kirk Chief Executive Officer (principal executive officer) Â EXHIBIT 31.2Â Certifications of Chief Financial OfficerPursuant to Section 302 of theSarbanes-Oxley Act of 2002I, Alisha K. Charlton, certify that:1.I have reviewed this Form 10-K of Pro-Dex, Inc.;2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit tostate a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, notmisleading with respect to the period covered by this report;3.Based on my knowledge, the financial statements, and other financial information included in this report,fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for,the periods presented in this report;4.I am responsible for establishing and maintaining disclosure controls and procedures (as defined in ExchangeAct Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures tobe designed under my supervision, to ensure that material information relating to registrant, including its consolidated subsidiaries,is made known to me by others within those entities, particularly during the period in which this report is being prepared;b)Designed such internal control over financial reporting, or caused such internal control over financialreporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and thepreparation of financial statements for external purposes in accordance with generally accepted accounting principles;c)Evaluated the effectiveness of the registrantâ€™s disclosure controls and procedures and presentedin this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered bythis report based on such evaluation; andd)Disclosed in this report any change in the registrantâ€™s internal control over financial reportingthat occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of anannual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control overfinancial reporting; and5.I have disclosed, based on my most recent evaluation of internal control over financial reporting, tothe registrantâ€™s auditors and the audit committee of registrantâ€™s board of directors (or persons performing the equivalentfunctions):a)all significant deficiencies and material weaknesses in the design or operation of internal controls overfinancial reporting which are reasonably likely to adversely affect the registrantâ€™s ability to record, process, summarize and reportfinancial information; andb)any fraud, whether or not material, that involves management or other employees who have a significantrole in the registrantâ€™s internal control over financial reporting.Â Date: September 5, 2024 /s/ Alisha K. Charlton Alisha K. Charlton Chief Financial Officer (principal financial officer and principal accounting officer) Â Â EXHIBIT 32CERTIFICATIONS OF CHIEF EXECUTIVE OFFICERAND CHIEF FINANCIAL OFFICERPURSUANT TO 18 U.S.C. SECTION 1350,AS ADOPTED PURSUANT TOSECTION 906 OF THE SARBANES-OXLEY ACT OF 2002Certifications of Chief Executive Officerand Chief Financial OfficerIn connection with the annualreport on Form 10-K of Pro-Dex Inc. (the â€œCompanyâ€) for the annual period ended JuneÂ 30, 2024 (the â€œReportâ€),the undersigned hereby certifies in their capacities as Chief Executive Officer and Chief Financial Officer of the Company, pursuant to18 U.S.C. SectionÂ 1350, as adopted pursuant to SectionÂ 906 of the Sarbanes-Oxley Act of 2002, that:1. The Report fully complieswith the requirements of SectionÂ 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and2. The information containedin the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.Â Date: September 5, 2024 By: /s/ Richard L. Van Kirk Richard L. Van Kirk Chief Executive Officer and President (principal executive officer) Â Â Date: September 5, 2024 By: /s/ Alisha K. Charlton Alisha K. Charlton Chief Financial Officer (principal financial officer and principal accounting officer) Â A signed original of thiswritten statement required by SectionÂ 906, or other document authenticating, acknowledging, or otherwise adopting the signaturesthat appear in typed form within the electronic version of this written statement required by SectionÂ 906, has been provided to theCompany and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.Â EXHIBIT 97PRO-DEX, INC.Compensation Recovery PolicyPolicy OverviewThe purpose of this Compensation Recovery Policy(this â€œPolicyâ€) of Pro-Dex, Inc. (the â€œCompanyâ€) is to provide for the recoupment of certain executivecompensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements underUnited States federal securities laws (â€œSecurities Lawsâ€). This Policy is designed to comply with Section 10D of theSecurities Exchange Act of 1934, as amended (the â€œExchange Actâ€) and Nasdaq Listing Rule 5608 (the â€œClawbackListing Standardsâ€).This Policy is binding upon any person whois or was an â€œExecutive Officerâ€ (as such term is defined in Rule 10D-1 adopted under the Exchange Act and the Clawback ListingStandards) of the Company (each, a â€œCovered Executiveâ€).AdministrationThis Policy shall be administered by the CompensationCommittee. Any determinations made by the Committee shall be final and binding on all affected individuals.Recoupment; Accounting RestatementIn the event the Company is required to preparean accounting restatement of its financial statements due to the Companyâ€™s material noncompliance with any financial reporting requirementunder the Securities Laws, including any required accounting restatement to correct an error in previously issued financial statementsthat is material to the previously issued financial statements or that would result in a material misstatement if the error were correctedin the current period or left uncorrected in the current period, the Committee will require reimbursement or forfeiture of any excessIncentive Compensation (as defined below) received by any Covered Executive during the three completed fiscal years immediately precedingthe date on which the Company is required to prepare an accounting restatement.Incentive CompensationFor purposes of this Policy, â€œIncentiveCompensationâ€ shall mean any of the following; provided that, such compensation is granted, earned, or vested based wholly orin part on the attainment of a financial reporting measure:Â·Annual bonuses and other short- and long-term cash incentives.Â·Stock options.Â·Stock appreciation rights.Â·Restricted stock.Â·Restricted stock units.Â·Performance shares.Â·Performance units.Excess Incentive Compensation: Amount Subjectto RecoveryThe amount to be recovered will be the excessof the Incentive Compensation paid to the Covered Executive based on the erroneous data over the Incentive Compensation that would havebeen paid to the Covered Executive had it been based on the restated results, as determined by the Committee, without regard to any taxespaid by the Covered Executive in respect of the Incentive Compensation paid based on the erroneous data.For recoverable Incentive Compensation basedon stock price or total shareholder return, where the amount of erroneously awarded Incentive Compensation is not subject to mathematicalrecalculation directly from the information in a restatement, the amount must be based on a reasonable estimate by the Committee of theeffect of the restatement on the stock price or total shareholder return, as applicable, upon which the recoverable Incentive Compensationwas received, and the Company must maintain documentation of that reasonable estimate and provide such documentation to Nasdaq. Â Â Method of RecoupmentThe Committee will determine, in its sole discretion,the method for recouping Incentive Compensation hereunder which may include, without limitation:(a) requiring reimbursement of cash IncentiveCompensation previously paid;(b) seeking recovery of any gain realized onthe vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;(c) offsetting the recouped amount from anycompensation otherwise owed by the Company to the Covered Executive;(d) cancelling outstanding vested or unvestedequity awards; and(e) taking any other remedial and recoveryaction permitted by law, as determined by the Committee.No IndemnificationThe Company shall not indemnify any CoveredExecutives against the loss of any incorrectly awarded Incentive Compensation.InterpretationThe Committee is authorized to interpret andconstrue this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It isintended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act, anyapplicable rules or standards adopted by the SEC, and the Clawback Listing Standards. Â Â Â Effective DateThis Policy shall be effective as of the dateit is adopted by the Committee (the â€œEffective Dateâ€) and shall apply to Incentive Compensation that is received byCovered Executives on or after October 2, 2023, even if such Incentive Compensation was approved, awarded, or granted to Covered Executivesprior to October 2, 2023. For the purposes of this Policy, Incentive Compensation will be deemed to be received in the fiscal period duringwhich the financial reporting measure specified in the applicable Incentive Compensation award is attained, even if the payment or grantoccurs after the end of that period.Amendment; TerminationThe Committee may amend this Policy from timeto time in its discretion and shall amend this Policy as it deems necessary to reflect final regulations adopted by the SEC under Section10D of the Exchange Act and to comply with the Clawback Listing Standards and any other rules or standards adopted by a national securitiesexchange on which the Companyâ€™s securities are listed. The Committee may terminate this Policy at any time.Other Recoupment RightsAny right of recoupment under this Policy isin addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the termsof any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies availableto the Company.Relationship to Other Plans and AgreementsThe Committee intends that this Policy willbe applied to the fullest extent of the law. The Committee may require that any employment agreement, equity award agreement, or similaragreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a CoveredExecutive to agree to abide by the terms of this Policy; provided, however, that this Policy shall apply to any applicable Incentive Compensationregardless of whether the Covered Executive agrees to abide by the terms of this Policy . In the event of any inconsistency between theterms of the Policy and the terms of any employment agreement, equity award agreement, or similar agreement under which Incentive Compensationhas been granted, awarded, earned or paid to a Covered Executive, whether or not deferred, the terms of the Policy shall govern.AcknowledgmentAt the request of the Committee, the CoveredExecutive shall sign an acknowledgment form in which they acknowledge that they have read and understand the terms of the Policy and arebound by the Policy. Â Â ImpracticabilityThe Committee shall recover any excess IncentiveCompensation in accordance with this Policy unless such recovery would be impracticable, as determined by the Committee in accordancewith Rule 10D-1 of the Exchange Act and the Clawback Listing Standards.SuccessorsThis Policy shall be binding and enforceableagainst all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.