SCIENTIFIC INDUSTRIES INC
Form DEF 14A
February 20, 2002

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant (X)

Filed by a Party other than the Registrant ( )

Check the appropriate box:

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

SCIENTIFIC INDUSTRIES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

(X) No fee required.
(   ) Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
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(2) Aggregate number of securities to which transaction applies:
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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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(4) Proposed maximum aggregate value of transaction:
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(5) Total fee paid:

(   ) Fee paid previously with preliminary materials.
(   ) Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:
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(2) Form, Schedule or Registration Statement No.:
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(3) Filing Party:

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(4) Date Filed:

SCIENTIFIC INDUSTRIES, INC.

2001
ANNUAL REPORT

CORPORATE INFORMATION

Officers
Lowell A. Kleiman
Chairman,
President, Chief Executive
Officer and Treasurer

Helena R. Santos, CPA
Vice President, Controller
and Secretary

Directors - (Principal
Occupations)
Arthur M. Borden
(Counsel, Rosenman & Colin LLP)

Joseph I. Kesselman
(Consultant)

Lowell A. Kleiman
Chairman
(President of the Company)

Roger B. Knowles
(Director,
Ionic, Inc)

James S. Segasture
(Private Investor)

Executive Offices
Airport International Plaza
70 Orville Drive
Bohemia, New York 11716

Transfer Agent
Continental Stock Transfer &
Trust Company
New York, New York

Independent Auditors
Nussbaum Yates & Wolpow, P.C.
Melville, New York

Stock Information
Over-the-Counter
Symbol: SCND
OTC Bulletin Board

Annual Meeting
10:00 a.m. Wednesday
March 13, 2002
Princeton Club
15 West 43rd Street
New York, New York

PRESIDENTS' LETTER February 11, 2002

Dear Fellow Stockholders:

We are pleased to report increased net sales for the fiscal year ended June 30, 2001 ("fiscal 2001"), of $3,435,000, up 14.2% from $3,005,400 for fiscal year ended June 30, 2000 ("fiscal 2000"). Net sales increased primarily as a result of greater international sales and re-establishment of the Company's normal selling price structure following settlement of its litigation against VWR and Troemner in December 1999.

Our income from operations for fiscal 2001 was $193,300 compared to a loss from operations of $115,900 for fiscal 2000, primarily as a result of increased sales and improved profit margins.

For fiscal 2001, our net income was $325,100, $.38 per basic share, compared to a net loss of $112,300, ($.13) per basic share, for fiscal 2000. Fiscal 2000 results reflected litigation costs and the proceeds received from the litigation. Fiscal 2001 also reflected a tax benefit of $101,600, while we did not reflect any tax expense or benefit for fiscal 2000.

During fiscal 2001 our R&D program began to come to fruition as a number of new products were introduced and their initial marketing was commenced. We started selling the Enviro-Genie(trademark), a major new product introduced in fiscal 2000. The Enviro-Genie is an innovative new product which is a unique environmentally controlled benchtop 6-in-1 refrigerated incubator/rotator/rocker/ stirrer/shaker designed for the study of micro-organisms and cell growth under strictly controlled conditions of temperature and agitation. We also completed development of an extended line of mixers derived from the Vortex-Genie(registered trademark) 2, including the Vortex-Gneie(registered trademark) 1 - the strongest touch vortex mixer available; the Vortex-Genie(registered trademark) 2T - the Vortex-Genie 2 with an integrated auto-off timer; and the Disruptor Genie(trademark) - a fast, economical and very effective cell disruptor. These additions to the Vortex-Genie line are targeted at the existing vortex mixer market and expand the potential applications for our products thereby increasing the opportunities for additional sales.

For the three months ended September 30, 2001, sales increased by $134,000 (17.0%) to $921,300 from $787,300 for the comparable three month period in fiscal 2001 reflecting an increase in volume of unit sales.

Net income amounted to $50,500, $.06 per basic share, for the three months ended September 30, 2001 compared to $58,800, $.07 per basic share, for the comparable prior fiscal year period. The reduction in net income was primarily the result of an increase in operating expenses of $54,600 incurred to pursue external business opportunities and increased marketing activities and an income tax expense of $27,000 for the three months ended September 30, 2001 as compared with no income tax expense for the same period in the prior fiscal year.

We expect to continue our strategy of building your Company through both internal and external growth during fiscal year 2002. We are continuing to develop new products to add to our growing line of innovative and unique products. Our marketing program will be devoted to the more vigorous pursuit of expanded sales opportunities.

I thank all of our employees and stockholders for their continued support and commitment and look forward to your continued support.

PLEASE FIND ENCLOSED HEREIN THE ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2001 FOR SCIENTIFIC INDUSTRIES, INC. (THE "COMPANY"). THIS LETTER SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND THE RELATED "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" INCLUDED IN THE

COMPANY'S FORM 10-KSB WHICH IS ALSO ENCLOSED HEREIN.

Sincerely,

/s/ Lowell A. Kleiman

LOWELL A. KLEIMAN
CHAIRMAN, CHIEF EXECUTIVE
OFFICER
AND PRESIDENT

SCIENTIFIC INDUSTRIES, INC.

LOWELL A. KLEIMAN
CHAIRMAN, CHIEF EXECUTIVE OFFICER,
AND PRESIDENT

70 ORVILLE DRIVE
BOHEMIA, NY 11716

February 11, 2002

Dear Fellow Stockholders:

You are cordially invited to attend the 2001 Annual Meeting of Stockholders of Scientific Industries, Inc. which will be held at 10:00 a.m. (New York time) on Wednesday, March 13, 2002 at the Princeton Club, 15 West 43rd Street, New York, New York.

At the meeting, we will elect one Class B Director, act upon the ratification of the appointment of Nussbaum Yates & Wolpow, P.C. as our independent auditors for the fiscal year ending June 30, 2002, and act upon such other business as may properly come before the meeting and any adjournments thereof, all as described in the attached Notice of Annual Meeting of Stockholders and Proxy Statement.

It is important that your shares be represented at the meeting and voted in accordance with your wishes. Whether or not you plan to attend the meeting, we urge you to complete, date, sign and return your proxy card in the enclosed business reply envelope, which requires no postage if mailed in the United States, as promptly as possible so that your shares will be represented at the Annual Meeting. This will not limit your right to vote in person or to attend the meeting.

Sincerely,

/s/Lowell A. Kleiman

Lowell A. Kleiman
Chairman, Chief Executive
Officer and President

SCIENTIFIC INDUSTRIES, INC.
70 Orville Drive
Bohemia, New York 11716

NOTICE OF 2001 ANNUAL MEETING OF STOCKHOLDERS

To be held Wednesday, March 13, 2002

To the stockholders of
SCIENTIFIC INDUSTRIES, INC.:

Notice is hereby given that the 2001 Annual Meeting of Stockholders (the "Annual Meeting") of Scientific Industries, Inc., a Delaware Corporation (the "Company") will be held at the Princeton Club, 15 West 43rd Street, New York, New York, on Wednesday, March 13, 2002, at 10:00 am (New York time), for the following purposes:

1. To elect one Class B Director to the Company's Board of Directors to serve until the Company's annual meeting of stockholders with respect to the year ended June 30, 2004 and until the election and qualification of his respective successor.

2. To ratify the appointment of Nussbaum Yates & Wolpow, P.C. as the Company's independent auditors for the fiscal year ending June 30, 2002.

3. To transact such other business as may properly come before the Annual Meeting and any adjournments thereof.

The accompanying Proxy Statement more fully describes the matters to be considered at the Annual Meeting. The Board of Directors has fixed the close of business on January 18, 2002, as the record date for determination of stockholders entitled to notice of and to vote at, the Annual Meeting and at any adjournments thereof. A complete list of the stockholders entitled to vote at the Annual Meeting will be available for inspection by any stockholder of the Company at the Annual Meeting. In addition, the list will be open for examination by any stockholder of the Company, for any purpose germane to the Annual Meeting, during ordinary business hours, for a period of ten days prior to the Annual Meeting at the offices of the Company.

To ensure that your vote will be counted, please promptly complete, date, sign and return the enclosed proxy card in the enclosed business reply envelope, which requires no postage if mailed in the United States, whether or not you plan to attend the Annual Meeting. You may revoke your proxy in the manner described in the Proxy Statement at any time before the proxy has been voted at the Annual Meeting.

By Order of your Board of Directors,

/s/ Lowell A. Kleiman

Bohemia, New York
February 11, 2002

Lowell A. Kleiman
Chairman, Chief Executive Officer
and President

PROXY STATEMENT

FOR THE
2001 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON March 13, 2002

Solicitation of Proxies

This proxy statement is furnished by and on behalf of the Board of Directors (the "Board") of Scientific Industries, Inc., a Delaware Corporation (the "Company") in connection with the solicitation of proxies to be voted at the 2001 Annual Meeting of Stockholders (the "Annual Meeting") to be held at the Princeton Club, 15 West 43rd Street, New York, New York, on Wednesday, March 13, 2002, at 10:00 a.m. (New York time), and at any adjournments thereof.

At the Annual Meeting, stockholders of the Company will be asked to: (1) elect a Director of the Company to serve until the Company's annual meeting of stockholders with respect to fiscal year ended June 30, 2004, and until the election and qualification of his successor; (2) ratify the appointment of Nussbaum Yates & Wolpow, P. C., the Company's independent accountants, as its auditors for the fiscal year ending June 30, 2002; and (3) transact such other business as may properly come before the Annual Meeting and any adjournments thereof.

The principal offices of the Company are located at 70 Orville Drive, Bohemia, New York 11716 and the Company's telephone number is (631)567-4700.

Record Date, Voting Rights

Only stockholders of record of the Company's Common Stock, par value $0.05 per share (the "Common Stock") as of the close of business on January 18, 2002 (the "Record Date"), are entitled to notice of and to vote at the Annual Meeting and any adjournments thereof. On the Record Date, there were 938,540 shares of Common Stock issued and outstanding. Each share of Common Stock is entitled to one vote.

With respect to all matters expected to be presented for a vote of stockholders, the presence at the Annual Meeting, in person or by properly executed proxy, of the holders of a majority of the Company's Common Stock entitled to vote at the Annual Meeting is necessary to constitute a quorum. Abstentions and broker "non-votes" are included in the determination of the number of shares of Common Stock present at the Annual Meeting for quorum purposes but are not counted in the tabulations of the votes cast for election of the director. With respect to the proposal relating to the ratification of the appointment of auditors, abstentions will have the same effect as a vote against the proposal and broker non-votes will be disregarded and will have no effect on the outcome of the vote on the proposal. A broker "non-vote" occurs when a nominee holding shares of Common Stock for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner.

Voting of Proxies, Revocation, Solicitation

All stockholders who deliver properly executed and dated proxies to the Company prior to the date of the Annual Meeting will be deemed present at the Annual Meeting regardless of whether such proxies direct the proxy holders to vote for or against, or to abstain from voting. The proxies, when properly executed and returned to the Company, unless otherwise indicated, will be voted in accordance with the instructions given therein by the person executing the proxy. In the absence of instructions, properly executed proxies will be voted FOR (1) the election of management's nominee, Joseph I. Kesselman as a Director of the Company, and (2) the ratification of the appointment of Nussbaum Yates & Wolpow, P.C., independent accountants, as the Company's auditors for the fiscal year ending June 30, 2002.

Any stockholder who executes and delivers a proxy may revoke it at any time before it is voted by delivering a written notice of such revocation to the Secretary of the Company at the address of the Company set forth in this proxy statement, by submitting a properly executed proxy bearing a later date, or by appearing at the Annual Meeting and requesting the return of the proxy or by voting in person. In accordance with applicable rules, boxes and a designated space are provided on the proxy card for stockholders to mark if they wish either to withhold authority to vote for management's nominee for director or to abstain from the vote to ratify the appointment of Nussbaum Yates & Wolpow, P.C., as the Company's independent auditors for the fiscal year ending June 30, 2002. A stockholder's attendance at the Annual Meeting will not, by itself, revoke a proxy given by that stockholder. Stockholders vote at the Annual Meeting by casting ballots (in person or by proxy) which are tabulated by a person who is appointed by the Board of Directors before the Annual Meeting to serve as inspector of election at the Annual Meeting and who has executed and verified an oath of office.

The entire cost of soliciting proxies will be borne by the Company. In addition to the use of the mails, proxies may be solicited by officers, directors and regular employees of the Company personally or by telephone or telegram. No additional compensation will be paid to such persons for any additional solicitations. The Company will also request securities brokers, custodians, nominees and fiduciaries who hold shares of Common Stock of record to forward solicitation material to the beneficial owners of such shares, and will reimburse them for their reasonable out-of-pocket expenses in forwarding such soliciting materials.

It is anticipated that this proxy statement, the enclosed proxy card and the Annual Report to stockholders will be mailed to the Company's stockholders on or about February 13, 2002.

PROPOSAL 1
ELECTION OF DIRECTORS

General Information

The Company's certificate of incorporation provides for a classified Board of Directors, consisting of three classes, each class serving three year terms on a staggered basis. The Board of Directors is currently comprised of five members, of which two are Class A Directors, one is a Class B Director and two are Class C Directors. At the Annual Meeting, one Class B Director is to be elected to serve until the annual meeting of stockholders with respect to the fiscal year ended June 30, 2004, and until his successor is duly elected and qualified. Shares of Common Stock represented by proxies solicited by the Board of Directors will be voted for the nominee hereinafter named, if authority to do so is not specifically withheld. If for any reason said nominee shall become unavailable for election, which is not now anticipated, the proxies will be voted for a substitute nominee designated by the Board of Directors.

Directors of the Company are elected by the affirmative vote of the holders of a plurality of the shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote. A plurality means that the nominee with the largest number of votes is elected as director. In tabulating the vote, abstentions and broker non-votes will be disregarded and will have no effect on the outcome of the vote.

The Board of Directors unanimously recommends that stockholders vote FOR the election of the nominee identified below to the Board of Directors.

Nominee for Election as Director

Joseph I. Kesselman (age 76), a Director since 1961, is a consultant to various corporations, and a director of Nuclear and Environmental Protection Inc., Perrot Duval Holding S.A., a Swiss public company, Hopare Holding, S.A., a Swiss holding company, and Infranor Inc., a developer and manufacturer of servo systems. Prior to November 1994, he was both Chairman and Chief Executive Officer of Greentree Software, Inc., a developer and provider of proprietary inventory control software, and during the last year of his tenure, he acted as a consultant to that company.

Directors whose terms do not expire at this Annual Meeting

Lowell A. Kleiman (age 61), a Director since 1970, has been employed by the Company for over thirty years, and has been President since September 1974. His current term as Director expires at the Annual Meeting for Fiscal 2002.

Roger B. Knowles (age 77), a Director since 1965, is semi-retired. During the past five years, he was President of various corporations, including Conductive Systems, Inc., a manufacturer of EMI and RFI shielding material, and G.H. Realty Company, a real-estate company, and a director of Ionic, Inc., an investment company. His current term as Director expires at the Annual Meeting for Fiscal 2002.

Arthur M. Borden, Esq. (age 81), a Director since 1974, has been partner and counsel to Rosenman & Colin LLP during the past five years. His current term as Director expires at the Annual Meeting for Fiscal 2003.

James S. Segasture (age 65), a Director since 1991, has been a private investor since February 1990. His current term as Director expires at the Annual Meeting for Fiscal 2003.

Meetings of the Board of Directors

The Company currently has no option, audit, compensation, nominating or similar committees.

During the fiscal year ended June 30, 2001, the Board of Directors held two meetings with all directors present.

Directors' Compensation

The Company currently pays each non-employee director a quarterly retainer of $750 and a fee of $500 for each meeting attended, plus reimbursement for out-of-pocket expenses incurred in connection with attendance of board meetings in the amount of $50 or the director's itemized expenses, whichever is greater. The Company paid fees in the amount of $16,000 to non-employee directors for the fiscal year ended June 30, 2001.

On February 11, 1992, before the adoption of the Company's 1992 Stock Option Plan, the Company issued to each of its four non-employee directors, Messrs. Arthur M. Borden, Joseph I. Kesselman, Roger B. Knowles and James S. Segasture, ten year non-qualified options to purchase 12,000 shares of Common Stock, 4,000 shares of Common Stock which were immediately exercisable, 4,000 shares of Common Stock which were fully exercisable on and after the first anniversary of the date of such grant and 4,000 shares of Common Stock which were fully exercisable after the second anniversary of the date of such grant; all such options were exercisable at $.35. All 36,000 options granted to Messrs. Borden, Kesselman, and Segasture have been exercised, with Messrs. Borden and Segasture each exercising options with respect to 4,000 shares in October 201 and Mr. Kesselman exercising options with respect to 4,000 shares in January 2002.

Pursuant to the Company's 1992 Stock Option Plan, the Company granted beginning in March 1993 options to purchase 3,000 shares of Common Stock at the then fair market value to be issued each March for four years to each non-employee director who was on the Board of Directors on the first business day of the month. In addition, in December 1997, the Board of Directors approved annual grants beginning in December 1997 of options to purchase 4,000 shares of Common Stock for each non-employee director at the fair market value on the date of grant. As of December 31, 2001, the Company had granted under the Plan in the aggregate to non-employee directors options to purchase 128,000 shares of Common Stock, or for each such Director options to purchase 32,000 shares of Common Stock. Options to purchase an aggregate of 31,000 shares of Common Stock have been exercised by them. The exercise price (fair market value per share of Common Stock on the dates of the grant) ranged from $.50 in 1993 to $2.40 in 2001 and their average exercise price is $1.14 per share. As of December 31, 2001, all options are immediately exercisable.

PROPOSAL 2

INDEPENDENT AUDITORS

Nussbaum Yates & Wolpow, P.C. ("NY&W") have been appointed by the Board of Directors as the Company's independent auditors for the fiscal year ending June 30, 2002. The Board of Directors has directed that the appointment of the independent auditors be submitted for ratification by the stockholders at the Annual Meeting. NY&W has audited the consolidated financial statements of the Company since 1991. A representative of that firm is expected to be present at the Annual Meeting, will have an opportunity to make a statement to the stockholders and will be available to respond to appropriate questions.

The ratification of the appointment for the fiscal year ending June 30, 2002, will require the affirmative vote of the holders of a majority of the outstanding shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote.

Stockholder ratification of the appointment of NY&W as the Company's independent accountants is not required by the Company's Certificate of Incorporation or By-laws or otherwise. The Board of Directors is submitting the appointment of NY&W to stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the appointment, the Board of Directors will reconsider whether to retain that firm. Even if the appointment is ratified, the Board of Directors in its discretion may direct the appointment of a different independent accounting firm at any time during the year if the Board of Directors determines that such a change would be in the best interests of the Company and its stockholders.

The Board of Directors unanimously recommends that the stockholders vote FOR the ratification of the appointment of Nussbaum Yates & Wolpow, P.C. as the Company's independent auditors for the fiscal year ending June 30, 2002.

Disclosure of Auditor Fees

The following is a description of the fees billed to the

Company by NY&W during the fiscal year ended June 30, 2001:

Audit Fees: The Company paid fess of approximately $25,500 to NY&W in connection with NY&W's audit of the Company's financial statements for the year ended June 30, 2001, NY&W's review of the Company's interim financial statements included in the Company's Quarterly Reports on Form 10-QSB during the fiscal year ended June 30, 2001, and preparation of the corporate tax returns.

Financial Information Systems Design and Implementation Fees and other fees: The Company did not engage during the fiscal year ended June, 30, 2001, NY&W to provide advice to the Company regarding financial information systems design and implementation, or to perform other non-audit services.

EXECUTIVE OFFICERS

The executive officers of the Company are elected annually by the Board of Directors and hold office until their respective successors are elected and qualified. There is no arrangement or understanding between any executive officer and any other person regarding election as an officer (except for an employment agreement with Mr. Kleiman). There are no family relationships between any director and any executive officer of the Company.

The executive officers of the Company are as follows:

Lowell A. Kleiman, (age 61), has been President and Treasurer of the Company since 1974.

Helena R. Santos, CPA (age 37) has been employed by the Company since 1994, and has served as Vice President, Controller since 1997 and Secretary since May 2001. Ms. Santos is responsible for inventory control, administrative and all accounting and financial reporting functions. Prior to joining the Company, Ms. Santos was an internal auditor with a major defense contractor, and prior to that was employed in public accounting.

Executive Compensation

The following table summarizes the compensation paid by the Company to Lowell A. Kleiman in each of the three most recently completed fiscal years ended June 30, 2001, for services in all capacities as the Company's Chief Executive Officer. No other executive officer earned in excess of $100,000 in any of such fiscal periods.

Summary Compensation Table

Annual Compensation

Name and Principal Position	Year Ended June 30	Salary $	Bonus $	All Other Compen-sation
Lowell A. Kleiman	2001	$160,000	$ -	$3,200(1)
CEO, President	2000	$160,000	$ -	$3,200(1)
	1999	$160,000	$ -	$3,200(1)

(1) Represents the Company's matching contribution to Mr. Kleiman's account under the Company's 401(k) Plan.

Aggregated Option Exercises in Last Fiscal Year And FY-End Option Values

Name	Shares of Common Stock Acquired on Exercise (#)	Value Real-ized ($)	Number of Securities Underlying Unexercised Options at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised in-the-Money Options at FY-End($) Exercisable/ Unexercisable(1)
Lowell A. Kleiman	60,000	$74,625(2)	0/10,000	$0/$6,000

(1) Calculated by multiplying the number of shares of Common Stock subject to options by the difference between the fair market value and exercise price per share, on June 30, 2001.

(2) Calculated by multiplying the number of shares of Common Stock acquired upon exercise of options by the difference between the fair market value on March 20, 2001 (date of exercise) and the exercise price.

Employment Agreement

On June 23, 2000 the Company extended an employment contract with its President through June 30, 2002. The contract provides for an annual salary of $160,000 and also the grant to Mr. Kleiman of a five-year stock option for 10,000 shares of Common Stock exercisable under certain circumstances. The contract provides that in the event of his termination of employment, within three years following a change of control (as defined therein), the Company will be obligated to pay Mr. Kleiman his annual salary and other benefits for the period between the date of his termination of employment and a date three years from the change of control, but not to exceed an amount that is 2.99 times the base amount. Other benefits provided in the contract include continued use of a Company car, four weeks paid vacation each year and, in the event that Mr. Kleiman should die within the employment period, the payment to his widow or his legal representative, of $5,000 as soon as practicable and an amount equal to Mr. Kleiman's current annual salary payable in equal weekly installments. In such event, if the Company receives $500,000 of insurance proceeds, $50,000 of such proceeds are to be paid to his widow or legal representative, as the case may be, with the balance of the insurance proceeds less any expenses incurred with respect thereto, to be retained by the Company. The employment contract also provides that, at his option, a portion of the compensation may be deferred to future years. The deferred amounts are to be placed in a separate investment account and all earnings and losses will be for his benefit. As of June 30, 2001 and 2000, $88,900 and $106,500, respectively, was segregated in the account and are included in other assets. The balance due to him is payable out of (but not secured by) the account, in five equal annual installments commencing after the termination of employment, except in the event of a change in control of the Company in which event the entire balance is immediately payable.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of the Record Date, the number of shares of Common Stock beneficially owned by (i) the persons known to the Company to be the owners of more than 5% of the outstanding Common Stock, (ii) each director of the Company, (iii) each named executive officer of the Company, identified in the Summary Compensation table included herein, and (iv) all directors and executive officers as a group.

	Sole voting and Dispositive Power	
	Number	Percentage
Five Percent Stockholders, Directors and Executive Officers:		
Class A Directors:		
Arthur M. Borden	62,540 (1)	6.5%
James S. Segasture	176,757 (2)	18.8%
Class B Director:		
Joseph I. Kesselman	63,520 (3)	6.5%
Class C Directors:		
Lowell A. Kleiman	149,581 (4)	15.8%
Roger B. Knowles	91,705 (5)	9.3%
All current directors and executive officers as a group (six persons)	569,103 (6)	52.6%

(1) Includes 29,000 shares issuable upon exercise of options.
(2) Includes 4,000 shares issuable upon exercise of options and shares beneficially owned by his wife.
(3) Includes 32,000 shares issuable upon exercise of options and 735 shares of Common Stock owned jointly with his wife.
(4) Includes 10,000 shares issuable upon exercise of options.
(5) Includes 44,158 shares owned by his wife, includes 1,337 shares of Common Stock owned by a trust of which Mr. Knowles is a trustee, beneficial ownership of which is disclaimed by him, and 44,000 shares issuable upon exercise of options.
(6) Includes 144,000 shares issuable upon exercise of options.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING

Based solely on the Company's review of Forms 5 thereto furnished to the Company during its most recent fiscal year with respect to its most recent fiscal year, the Company believes that, for the year ended June 30, 2001, all filings required under Section 16(a) of the Securities Act of 1934, as amended, applicable to its officers, directors and 10% stockholders were complied with except for late filings of Form 5's by Messrs. Borden, Knowles, Kesselman, and Segasture.

OTHER MATTERS

The Board of Directors is not aware of any matters other than those set forth in this proxy statement that will be presented for action at the Annual Meeting; however, if any other matters properly come before the Annual Meeting, the persons named as proxies intend to vote the shares of Common Stock they represent in accordance with their judgement on such matters.

ADDITIONAL INFORMATION

The Company's Annual Report to Stockholders for the fiscal year ended June 30, 2001, on Form 10-KSB, which is not part of this proxy material, is being mailed to stockholders with this proxy solicitation. On written request, the Company will provide without charge to each person who makes a good faith representation that such person was a beneficial holder of the Company's Common Stock as of January 18, 2002, a copy of the Company's Annual Report on Form 10-KSB as filed with the Securities and Exchange Commission for the fiscal year ended June 30, 2001. Requests should be addressed to Ms. Helena Santos, Secretary, Scientific Industries, Inc., 70 Orville Drive, Bohemia, New York 11716.

STOCKHOLDER PROPOSALS

Proposals of stockholders of the Company intended to be presented at the Company's 2002 annual meeting of stockholders must be received by the Secretary of the Company for inclusion in the appropriate proxy materials no later than July 1, 2002.

SCIENTIFIC INDUSTRIES, INC.

February 11, 2002

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

FORM 10-KSB

(Mark One)

X ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
------- EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2001

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to _____________

Commission file number 0-6658

SCIENTIFIC INDUSTRIES, INC.

(Name of Small Business Issuer in Its Charter)

Delaware	04-2217279
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
Airport International Plaza, 70 Orville Drive, Bohemia, New York	11716
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number (631) 567-4700

Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, par value $.05 per share

(Title of Class)

-

(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

Issuer's revenues for its most recent fiscal year. $3,435,000

The aggregate market value of the voting stock held by non-affiliates computed by reference to the average bid and asked prices of such stock, as of August 24, 2001 is $1,880,600.

The number of shares outstanding of the issuer's common stock, par value $.05 per share ("Common Stock") as of August 24, 2001 is 895,540 shares.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Transitional Small Business Disclosure Format (check one):
Yes [ ]   No [X]

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

General. Scientific Industries, Inc., (the "Company"), a Delaware corporation, formed in 1954 is engaged in manufacturing and marketing laboratory equipment consisting primarily of a vortex mixer, the Vortex-Genie (REGISTERED TRADEMARK) 2, and related accessories (devices used to mix the contents of test tubes, beakers and other various containers by placing such containers on a rotating cup or other attachments which cause the contents to be mixed at varying speeds). During the past four years, the Company has developed and introduced new products and new accessories for all of its products. It recently introduced the Roto-Shake Genieregistered trademark, a multi- purpose rotator/rocker; and the Enviro-Genietrademark, a multi-functional benchtop refrigerated incubator. The Enviro-Genie, introduced in the prior fiscal year, an innovative which is a new product comprising of a unique environmentally controlled benchtop 6-in-1 refrigerator/incubator/rotator/rocker/ stirrer/shaker designed for the study of micro-organisms and cell growth under strictly controlled conditions of temperature and agitation. In view of its sophistication and higher unit price than other products of the Company, the Company anticipates lower volumes of unit sales, but a higher profit margin per unit. Most recently the Company has developed a line of mixers derived from the Vortex-Genie 2, including the Vortex-Genie (registered trademark) 1, Vortex-Genie(registered trademark) 2T, and the Disruptor Genie (trademark).

The Company's products are used by hospital and research laboratories, clinics, pharmaceutical manufacturers, medical device manufacturers and other industries. The products are marketed principally through a network of domestic and foreign dealers who are solicited personally by the Company's President and other employees. The Company seeks to increase its customer base through the use of various marketing media, including trade shows, trade publications, brochures and catalogs.

Raw Materials. The Company currently manufactures its products from readily available components supplied by various independent contractors, and does not rely on any one principal supplier, except as to a few components where it's not practicable to have multiple suppliers.

Patents, Trademarks, Licenses and Franchises. The Company holds several Unites States patents. It has a patent on a utilitarian feature of its Vortex-Genie 2 mixer which expires on November 2, 2005. The Company licenses this patent on a non-exclusive basis through its expiration to Troemner, Inc., ("Troemner"), under the settlement agreement referred to in Note 13 of the financial statements in Item 7. The Company's patent for the TurboMix (trademark), an attachment to the existing Vortex-Genie 2 mixer, expires in September 2015. Its patent on the Roto-Shake Genie expires in July 2016. The Company intends to seek additional patent applications, when appropriate, for technology and products which it considers important for the protection of its business. No assurance can be given that any patent application will result in the issuance of a patent or, if granted, will provide effective protection. Litigation to defend against or assert claims of infringement or otherwise related to proprietary rights could result in substantial costs to the Company.

The Company has various proprietary marks including Vortex-Genie (REGISTERED TRADEMARK) 2, TurboMix (trademark), Roto-Shake Genie (REGISTERED TRADEMARK), and Enviro-Genie (TRADEMARK), which it considers important to the success of its products.

Foreign Sales. The Company's sales to various distributors outside the United States (principally Europe and Asia) accounted for approximately 42.7% of the Company's net sales for the fiscal year ended June 30, 2001 ("fiscal 2001") and 40.0% for the fiscal year ended June 30, 2000 ("fiscal 2000"). Such sales are paid in United States dollars and are therefore not subject to risks of currency fluctuation, foreign duties and customs.

Seasonality. The Company does not consider its business to be seasonal.

Largest Customer. Sales to Fisher Scientific Company ("Fisher"), a U.S. distributor, accounted for approximately 36.3% of the Company's net sales for fiscal 2001 and 37.5% for fiscal 2000. The Company sells primarily the Vortex-Genie 2 mixer and related accessories, to Fisher. The loss of this customer or a material reduction in its purchases would have a material adverse effect upon the business of the Company.

Backlog. The Company's backlog is not significant because the Company's current line of products is comprised of standard catalog items. The typical lead time is approximately two weeks, and backlog is kept to no more than three to four weeks.

Competition. Most of the Company's competitors are substantially larger and have greater financial, production and marketing resources than the Company. Competition is generally based upon quality, technical specifications and price. The Company dominates the vortex mixers market in the United States and is widely recognized in the international vortex mixers market. In the general area of laboratory equipment, the Company's major competitors are Troemner, Barnstead/Thermolyne Corporation, a subsidiary of Sybron International, and IKA, a German corporation.

Research and Development. In connection with the development of new products, the Company incurred research and development expenses of $251,800 during fiscal 2001 compared to $285,900 during fiscal 2000 as a result of lower material expenditures for the Enviro-Genie benchtop incubated refrigerator, which the Company began producing during fiscal 2001. In view of its sophistication and higher unit price than other products of the Company, the Company anticipates lower volumes of units sales but a higher profit margin per unit. The Company intends to continue investing in research and development activities at approximately the same rate in fiscal year 2002.

Government and Environmental Regulation. The Company's products and claims with respect thereto do not require approval of the Food and Drug Administration or any other government approval. The Company's manufacturing operations, like those of the industry in general, are subject to numerous existing and may be subject to proposed additional federal, state, and local regulations designed to protect the environment, to establish occupational safety and health standards and to cover other matters. The Company believes that its operations are in compliance with existing laws and regulations and the cost to comply is not significant to the Company.

Employees. As of August 24, 2001, the Company employed 27 persons of which 25 were full-time. None of the Company's employees are represented by any unions.

ITEM 2. DESCRIPTION OF PROPERTY.

As of August 24, 2001, the Company's offices and manufacturing facilities consisted of the following:

Location of Space	Use of Space	Square Feet (Approx.)	Lease Expiration Date	Annual Rental Payments(*)
70 Orville Drive Bohemia, NY 11716	Executive Offices/ Manufact- uring	25,000	December 31, 2004	$217,100

(*) Reflects future minimum rental payments for fiscal year 2002.

The offices and manufacturing facilities leased by the Company are suitable and adequate for such use. In the opinion of management, the property is adequately covered by insurance.

See Note 8 to the Financial Statements in Item 7 for information about the Company's lease obligations.

ITEM 3. LEGAL PROCEEDINGS.

The Company is not a party to any pending legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2001.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS.

(a) The Company's Common Stock is traded in the over-the-counter market. The following table sets forth the low and high bid quotations for each quarter of fiscal 2001 and fiscal 2000, as reported by the National Association of Securities Dealers, Inc. Electronic Bulletin Board. Such quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions:

For Fiscal Quarter Ended:	Low Bid	High Bid
09/30/99	17/32	23/32

12/31/99	11/32	10/16
03/31/00	3/8	1
06/30/00	3/4	1
09/30/00	3/4	1 3/4
12/31/00	1 7/32	1 1/8
03/31/01	1 7/32	1 9/16
06/30/01	1 1/5	2 1/20

(b) There were, as of August 24, 2001, 892 record holders of the Company's Common Stock.

(c) The Company paid no dividends during the last two fiscal years. The Company is not subject to any agreement which prohibits or restricts the Company from paying dividends on its Common Stock.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Management's Discussion and Analysis of Financial Condition and Results of Operations and other portions of this report contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated by the forward-looking information. Factors that may cause such differences include, but are not limited to, product demand, market acceptance and other factors discussed elsewhere in this report. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our financial statements and the related notes included elsewhere in tis report.

Outlook. In December 1999, the Company settled litigation against its then second largest customer, VWR Scientific Products ("VWR") and co-defendant Troemner alleging patent and other violations (see Note 13 of the financial statements in Item 7). Although VWR is no longer purchasing its private labeled vortex mixer from the Company, it is purchasing the Company brand vortex mixer, although the quantities are less. Among other things, the settlement agreement provided for certain promotional considerations from VWR amounting up to a maximum of $250,000 based on a percentage of sales of the Company's products. These promotional activities were performed during 2000, 2001, and continue through 2002. Consequently, the promotional programs could have a positive effect on the Company's future sales to VWR. In the meantime, sales to other customers, foreign and domestic, have been steadily increasing, although past performance may not be indicative of future sales.

Results of Operations. Net sales for fiscal 2001 increased $429,600 (14.2%) to $3,435,000, compared to $3,005,400 for fiscal 2000 primarily as a result of an increase in foreign sales and re-establishment of the Company's normal selling price structure following the litigation (See Note 13 of the financial statements in Item 7.) The gross profit percentage of 41.5% for fiscal 2001 increased from 33.8% for fiscal 2000 primarily as a result of lower material costs, and re-establishment of the Company's normal selling price structure.

General and administrative expenses for fiscal 2001 increased by $91,400 (12.5%) to $822,100 compared to $730,700 for the prior year as a result of the expenses incurred for the pursuit of external business opportunities.

Selling expenses for fiscal year 2001 increased $43,100 (37.1%) to $159,200 compared to $116,100 for fiscal year 2000 due to increased marketing activity which consisted primarily of trade show exhibiting and advertising in trade publications.

Research and development expenses for fiscal 2001 decreased by $34,100 (11.9%) to $251,800, compared to $285,900 for fiscal 2000 as a result of lower material expenditures for the Enviro-Genie benchtop incubated refrigerator, which the Company began producing during fiscal 2001. In view of its sophistication and higher unit price than other products of the Company, the Company anticipates a lower volume of unit sales but a higher profit margin per unit. The Company intends to continue investing in research and development activities at approximately the same rate in fiscal year 2002.

The Company did not incur any litigation costs in fiscal 2001. In fiscal 2000, the Company incurred $262,600 related to proceedings brought by the Company against VWR and Troemner, which were settled in that year resulting in, among other things, the making of a cash payment of $250,000 to the Company by one defendant. See Footnote 13 of the financial statements in Item 7 for additional information. The Litigation Settlement Proceeds in the amount of $250,000 included in the prior fiscal year represented the cash portion of the settlement agreement.

As of June 30, 2001, the Company had net operating loss carryforwards of approximately $20,200 expiring in 2020 and tax credit carryforwards of $44,800 expiring in 2014 through 2016. A valuation allowance of $169,300 was recognized to offset the full amount of deferred tax assets at June 30, 2000 due to the uncertainty of realizing these assets in the future.

During fiscal 2001, the Company determined that it was more likely than not that the Company would realize the full benefit of the deferred tax assets and, accordingly, the valuation allowance of $169,300 at June 30, 2000 was eliminated and included as part of the income tax benefit in 2001.

Liquidity and Capital Resources. The Company's working capital for fiscal 2001 increased $253,900 to $1,409,500 as compared to $1,155,600 for fiscal 2000, primarily due to income from operations. The Company's inventories increased primarily as a result of a build up in finished goods to a sufficient level to properly fill orders within a shorter time period. Additionally, raw material component inventory is also higher due to the new products. Management believes that it will be able to meet its cash flow requirements during the next fiscal year from its available financial resources which may include future cash generated from operations and its cash and cash equivalents and investment securities. In addition, the Company has available a secured bank line of credit of $200,000 with North Fork Bank. The credit line expires on November 1, 2001 and carries interest at prime plus 1%. The Company could utilize the proceeds of this line for working capital needs. The Company has not utilized this credit line.

Capital Expenditures. During fiscal 2001, the Company did not incur any material capital expenditures. The Company does not expect to incur in the normal course of business any material capital expenditures during fiscal 2002. It is anticipated, as in past fiscal years, that the funds for such expenditures, if any, will be funded from the Company's operations or available working capital.

Inflation. Due to the demand for medical cost containment, management believes that inflation will continue to have a material effect on the Company's existing products. Although the Company's laboratory products are not considered medical equipment, they are used in laboratories in medically-related areas. Therefore, the existing products will be sensitive to inflationary pressures since it will be difficult to fully pass on cost increases.

ITEM 7. FINANCIAL STATEMENTS.

The Financial Statements required by this item are attached hereto on pages F1-F18.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT.

DIRECTORS

The Directors of the Company are elected to two year staggered terms. The terms of the five Directors currently expire at the annual meeting of stockholders of the Company to be held in 2001 as to one Director (Mr. Kesselman, Class B), 2002 as to two Directors (Messrs. Kleiman and Knowles, Class C) and 2003 as to two Directors (Messrs. Borden and Segasture, Class A). The name, principal occupation for the last five years, selected biographical information and period of service as a director of the Company of each director are set forth below.

Joseph I. Kesselman (age 76), a Director since 1961, is a consultant to various corporations, and a director of Nuclear and Environmental Protection Inc., Perrot Duval Holding S.A. (a Swiss public company), Hopare Holding, S.A. (a Swiss holding company), and Infranor Inc., a developer and manufacturer of servo systems. Prior to November 1994, he was both Chairman and Chief Executive Officer of Greentree Software, Inc., a developer and provider of proprietary inventory control software, and during the last year of his tenure, he acted as a consultant to that company.

Lowell A. Kleiman (age 60), a Director since 1970, has been employed by the Company for over thirty years, and has been President since September 1974.

Roger B. Knowles (age 76), a Director since 1965, is semi-retired. During the past five years, he was President of various corporations, including Conductive Systems, Inc.,a manufacturer of EMI and RFI shielding material, and G.H. Realty Company, a real-estate company, and a director of Ionic, Inc., an investment company.

Arthur M. Borden, Esq. (age 81), a Director since 1974, has been partner and counsel to Rosenman & Colin LLP during the past five years.

James S. Segasture (age 65), a Director since 1991, has been a private investor since February 1990.

EXECUTIVE OFFICERS

Lowell A. Kleiman is the President and Treasurer of the Company.

Helena R. Santos, CPA (age 37) has been employed by the Company since 1994, and has served as Vice President, Controller since 1997 and Secretary since May 2001.

Ms. Santos is responsible for inventory control, administrative and all accounting and financial reporting functions. Prior to joining the Company, she was an internal auditor with a major defense contractor from March 1991 to April 1994. Prior to that she was employed in public accounting.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely on the Company's review of Forms 5 thereto furnished to the Company during its most recent fiscal year with respect to its most recent fiscal year, the Company believes that, for the year ended June 30, 2001, all filing requirements of Section 16(a) of the Securities Act of 1934, as amended, applicable to its officers, directors and 10% stockholders were complied with except for the filing of a Form 5 by Messrs. Borden, Knowles, Kesselman, and Segasture which were effected prior to the filing of this report.

ITEM 10. EXECUTIVE COMPENSATION.

The following table summarizes all compensation paid by the Company to Lowell A. Kleiman with respect to each of the three fiscal years ended June 30, 2001 for services in all capacities as the Company's Chief Executive Officer and President. No other executive officer earned in excess of $100,000 in any of such fiscal periods.

Summary Compensation Table

		Annual Compensation		
Name and Principal Position	Year	Salary $	Bonus $	All Other Compen- sation
Lowell A. Kleiman	2001	$160,000	$ -	$3,200(1)
CEO, President	2000	$160,000	$ -	$3,200(1)
	1999	$160,000	$ -	$3,200(1)

(1) Represents the Company's matching contribution to Mr. Kleiman's account under the Company's 401(k) Plan.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION VALUES

Mr. Kleiman was the only executive officer to exercise stock options during fiscal 2001. The following table sets forth information as to the exercise and his other option.

	Shares of Common Stock	Number of Securities Underlying Unexercised	Value of Unexercised in-the-Money

Name	Acquired on Exercise #)	Value Real-ized ($)	Options at FY-End (#) Exercisable/ Unexercisable	Options at FY-End($) Exercisable/ Unexercisable(1)
Lowell A. Kleiman	60,000	$74,625(2)	0/10,000	$0/$6,000

(1) Calculated by multiplying the number of shares of Common Stock subject to options by the difference between the fair market value and exercise price on June 30, 2001.

(2) Calculated by multiplying the number of shares of Common Stock subject to options by the difference between the fair market value and exercise price on March 20, 2001 (the date of exercise).

DIRECTORS' COMPENSATION

The Company currently pays each non-employee director a quarterly retainer of $750 and a fee of $500 for each meeting attended, plus reimbursement for out-of-pocket expenses incurred in connection with attendance of board meetings in the amount of $50 or the director's itemized expenses, whichever is greater.

During fiscal 2001, the Company paid fees in the amount of $18,000 to non-employee directors.

On February 11, 1992, before the adoption of the Company's 1992 Stock Option Plan, the Company issued to each of its four non-employee directors, Messrs. Arthur M. Borden, Joseph I. Kesselman, Roger B. Knowles and James S. Segasture, ten year non-qualified options to purchase 12,000 shares of Common Stock, 4,000 shares of Common Stock of which were immediately exercisable, 4,000 shares of Common Stock of which were fully exercisable on and after the first anniversary of the date of such grant and 4,000 shares of Common Stock which were fully exercisable after the second anniversary of the date of such grant; all such options were exercisable at $.35. In March of 1993, Messrs. Borden, Kesselman and Segasture each exercised 8,000 shares of Common Stock pursuant to such options.

The Company's 1992 Stock Option Plan called for options to purchase 3,000 shares of Common Stock at the then fair market value to be issued each March for four years to each non-employee director who was on the Board of Directors on the first business day of each March, beginning in March 1993. In addition, in December 1997, the Board of Directors approved annual grants beginning in December 1997 of options to purchase 4,000 shares of Common Stock for each non-employee director at the fair market value on the date of grant. As of December 31, 2000, the Company had granted in the aggregate to non-employee Directors options to purchase 160,000 shares of Common Stock, or for each such Director options to purchase 40,000 shares of Common Stock. The fair market value per share of Common Stock on the dates of grant in the following fiscal years were: $1.328 in 2001, $.829 in 2000, $1.875 in 1999, $2.00 in 1998, $1.2813 in 1996, $1.3125 in 1995, $.9375 in 1994, and $.50 in 1993. All options were immediately exercisable, except for 834 shares each (an aggregate of 3,336 shares) under the options granted on December 31, 2000 which became available and exercisable on July 1, 2001.

EMPLOYMENT AGREEMENT

On June 23, 2000 the Company extended an employment contract with its President through June 30, 2002. The contract provides for an annual salary of $160,000 beginning in fiscal 1998 and also granted Mr. Kleiman a five-year stock option for 10,000 shares of Common Stock exercisable under certain circumstances. The contract provides that in the event of his termination of employment, within three years following any change of control (as defined therein), the Company will be obligated to pay Mr. Kleiman his annual salary and other benefits for the period between the date of his termination of employment and a date three years from any change of control, but not to exceed an amount that is 2.99 times the base amount. Other benefits provided in the contract include continued use of a Company car, four weeks paid vacation each year and, in the event that Mr. Kleiman should die within the employment period, the payment to his widow

or his legal representative, of $5,000 as soon as practicable and an amount equal to Mr. Kleiman's current annual salary payable in equal weekly installments. In such event, if the Company receives $500,000 of insurance proceeds, less any expenses incurred, with respect thereto, $50,000 of such proceeds are to be paid to his widow or legal representative, as the case may be, with the balance of the insurance proceeds to be retained by the Company. The employment contract also provides that, at his option, a portion of the compensation may be deferred to future years. The deferred amounts are to be placed in a separate investment account and all earnings and losses will be for his benefit. As of June 30, 2001 and 2000, $88,900 and $106,500, respectively, was segregated into such an account and is included in other assets. The balance due to him is payable out of (but not secured by) the account, in five equal annual installments commencing after the termination of employment. In the event of a change in control of the Company, the entire balance is immediately payable.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth, as of year end, the number of shares of Common Stock beneficially owned by (i) the persons known to the Company to be the owners of more than 5% of the Common Stock, (ii) each director of the Company, (iii) each named executive officer of the Company, identified in the Summary Compensation table included elsewhere herein, and (iv) all directors and executive officers as a group.

	Sole Voting and Dispositive Power	
Five Percent Stockholders, Directors and Executive Officers:	Number of Shares	Percentage
Class A Directors:		
Arthur M. Borden	58,540 (1)	6.3%
James S. Segasture (and Kristine K. Segasture)	172,757 (1)	18.6%
Class B Director:		
Joseph I. Kesselman	59,520 (2)	6.4%
Class C Directors:		
Lowell A. Kleiman	149,581 (3)	16.5%

Roger B. Knowles	87,705 (4	9.4%
All current directors and executive officers as a group	553,103(5	51.9%

(1) Includes 31,166 shares of Common Stock issuable upon exercise of currently exercisable options and 834 shares which became exercisable on July 1, 2001.
(2) Includes 31,166 shares of Common Stock issuable upon exercise of currently exercisable options and 834 shares which became exercisable on July 1, 2001, and 735 shares of Common Stock owned jointly with Mrs. Kesselman.
(3) Includes 10,000 shares of Common Stock issuable upon exercise of currently exercisable options, assuming certain financial criteria is met.

(4) Includes 44,158 shares of Common Stock owned by Mrs. Knowles; 1,337 shares of Common Stock owned by a trust of which Mr. Knowles is a trustee, beneficial ownership of which is disclaimed by Mr. Knowles; 39,166 shares of Common Stock issuable upon exercise of currently exercisable options and 834 shares which became exercisable on July 1, 2001.
(5) Includes 167,664 shares of Common Stock issuable upon exercise of currently exercisable options and 3,336 shares which became exercisable on July 1, 2001. Included in the 167,664 shares are 10,000 shares issuable upon exercise of options whose exercise is subject to certain financial criteria being met, and 25,000 shares of Common Stock issuable upon exercise of currently exercisable options granted to one executive officer who is not a director.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

During the last two years, there were no transactions or proposed transactions between the Company and any director, executive officer, nominee for election as a director, security holder, or any member of their immediate families.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

The exhibits to this report are listed in the Exhibit Index at the end of this report.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the last quarter of fiscal 2001 covered by this report with the Commission.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SCIENTIFIC INDUSTRIES, INC.

(Registrant)

/s/ Lowell A. Kleiman
Lowell A. Kleiman
President and Treasurer
Principal Executive and Financial Officer

/s/ Helena R. Santos
Helena R. Santos
Vice President, Controller
Principal Accounting Officer

Date: September 26, 2001

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Lowell A. Kleiman Lowell A. Kleiman	President, Treasurer and Director (Principal Executive and Financial Officer)	September 21, 2001
/s/ Arthur M. Borden Arthur M. Borden	Director	September 21, 2001
/s/ Joseph I. Kesselman Joseph I. Kesselman	Director	September 21, 2001
/s/ Roger B. Knowles Roger B. Knowles	Director	September 21, 2001
/s/ James S. Segasture James S. Segasture	Director	September 21, 2001

EXHIBIT INDEX

Exhibit Number	Description
3	Articles of Incorporation and By-Laws:
3(a)	Certificate of Incorporation of the Company as amended. (Filed as Exhibit 1(a-1) to the Company's General Form for Registration of Securities on Form 10 dated February 14, 1973 and incorporated by reference thereto.)

3(b)	Certificate of Amendment of the Company's Certificate of Incorporation, as filed on January 28, 1985. (Filed as Exhibit 3(a) to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1985 and incorporated by reference thereto.)
3(c)	By-Laws of the Company, as amended. (Filed as Exhibit 3(b) to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1985 and incorporated by reference thereto).
4	Instruments defining the rights of security holders:
4(a)	Stock Option Plan (Filed as Exhibit 4.1 to the Company's Registration Statement filed on Form S-8 dated June 2, 1998 (File No. 333-55871) and incorporated by reference thereto).
10	Material Contracts:
10(a)	Employment Agreement dated June 23, 2000, by and between the Company and Mr. Kleiman, as amended. (Filed as Exhibit 10 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2000).
10(b)	Letter of Intent to exercise 5-year option under the Company's lease for its offices and manufacturing facilities. (Filed as Exhibit 10 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1999).
21	Subsidiaries of the Registrant
	Scientific Packaging Industries, Inc., a New York corporation, is a wholly-owned subsidiary of the Company, and does business under the name "Scientific Packaging Industries".

ITEM 7. FINANCIAL STATEMENTS

Report of Independent Certified Public Accountants

Board of Directors and Shareholders
Scientific Industries, Inc. and subsidiary
Bohemia, New York

We have audited the accompanying consolidated balance sheets of Scientific Industries, Inc. and subsidiary as of June 30, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Scientific Industries, Inc. and subsidiary as of June 30, 2001 and 2000, and the consolidated results of their operations and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Nussbaum Yates & Wolpow, P.C.
Nussbaum Yates & Wolpow, P.C.
Melville, New York

September 5, 2001

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SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2001 AND 2000

ASSETS

	2001	2000
Current assets:		
Cash and cash equivalents	$ 275,400	$ 394,600
Investment securities	412,000	171,600
Trade accounts receivable, less allowance for doubtful accounts of $7,400 in 2001 and 2000	300,400	319,900
Inventories	576,400	416,900
Prepaid expenses and other current assets	71,700	26,900
Total current assets	1,635,900	1,329,900
Property and equipment, net	194,600	182,300
Other assets:		
Deferred taxes	101,600	-
Intangible assets, less accumulated amortization of $24,700 and $17,700 in 2001 and 2000	12,300	18,700
Other	150,900	159,200

	264,800	177,900
	$2,095,300	$1,690,100

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 152,500	$ 84,000
Accrued expenses	73,900	90,300
Total current liabilities	226,400	174,300
Deferred compensation	88,900	106,500
Commitments and contingencies		
Shareholders' equity:		
Common stock, $.05 par value; authorized 7,000,000 shares; issued 915,342 and 855,342 shares in 2001 and 2000	45,800	42,800
Additional paid-in capital	912,500	869,500
Accumulated other comprehensive loss, unrealized holding loss on investment securities	(5,000)	(4,600)
Retained earnings	879,100	554,000
	1,832,400	1,461,700
Less common stock held in treasury, at cost, 19,802 shares	52,400	52,400
	1,780,000	1,409,300
	$2,095,300	$1,690,100

See notes to consolidated financial statements

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED JUNE 30, 2001 AND 2000

	2001	2000
Net sales	$3,435,000	$3,005,400
Cost of sales	2,008,600	1,988,600
Gross profit	1,426,400	1,016,800
Operating expenses:		

General and administrative	822,100	730,700
Selling	159,200	116,100
Research and development	251,800	285,900
	1,233,100	1,132,700
Income (loss) from operations	193,300	(115,900)
Other income (expenses):		
Litigation settlement proceeds	-	250,000
Litigation costs	-	(262,600)
Interest and other income	30,200	16,200
	30,200	3,600
Income (loss) before income tax benefit	223,500	(112,300)
Income tax benefit (deferred)	(101,600)	-
Net income (loss)	$ 325,100	($ 112,300)
Net income (loss) per common share - basic	$ .38	($ .13)
Net income (loss) per common share - diluted	$ .33	($ .13)

See notes to consolidated financial statements

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED JUNE 30, 2001 AND 2000

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss
Balance, July 1, 1999	855,342	42,800	$ 869,500	($ 1,000)
Net loss	-	-	-	-
Other comprehensive loss:				
Unrealized holding losses arising during period	-	-	-	(2,800)
Less: reclassification adjustment for gains included in net loss	-	-	-	(800)
Comprehensive loss	-	-	-	-
Balance, June 30, 2000	855,342	42,800	869,500	(4,600)

Net income	-	-	-	-
Exercise of stock options	60,000	3,000	18,000	-
Issuance of stock warrant	-	-	25,000	-
Other comprehensive income:				
Unrealized holding loss				
arising during period	-	-	-	(400)
Comprehensive income	-	-	-	-
Balance, June 30, 2001	915,342	$45,800	$912,500	($ 5,000)

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (CONTINUED)
YEARS ENDED JUNE 30, 2001 AND 2000

	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Total Shareholders' Equity
Balance, July 1, 1999	$ 666,300	19,802	$52,400	$ 1,525,200
Net loss	(112,300)	-	-	(112,300)
Other comprehensive loss:				
Unrealized holding losses				
arising during period	-	-	-	(2,800)
Less: reclassification				
adjustment for gains				
included in net loss	-	-	-	(800)
Comprehensive loss	-	-	-	(115,900)
Balance, June 30, 2000	554,000	19,802	52,400	1,409,300
Net income	325,100	-	-	325,100
Exercise of stock options	-	-	-	21,000
Issuance of stock warrant	-	-	-	25,000
Other comprehensive income:				
Unrealized holding loss				
arising during period	-	-	-	(400)
Comprehensive income	-	-	-	370,700
Balance, June 30, 2001	$ 879,100	19,802	$52,400	$ 1,780,000

See notes to consolidated financial statements

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2001 AND 2000

	2001	2000	
Operating activities:			
Net income (loss)	$ 325,100	($ 112,300)	
Adjustments to reconcile net income (loss)to net cash provided by (used in) operating activities:			
Gain on sale of investments	-	(800)	
Loss on disposal of fixed assets	-	6,300	
Issuance of stock warrant for services		25,000	-
Depreciation and amortization	71,800	92,700	
Deferred income taxes	(101,600)	-	
Changes in assets and liabilities:			
Accounts receivable	19,500	3,100	
Inventories	(159,500)	(50,900)	
Prepaid expenses and other current assets	(44,800)	123,400	
Other assets	8,300	(15,100)	
Accounts payable	68,400	(160,000)	
Accrued expenses	(16,400)	(4,200)	
Deferred compensation	(17,600)	12,200	
Total adjustments	(146,900)	6,700	
Net cash provided by (used in) operating activities	178,200	(105,600)	
Investing activities:			
Purchase of investment securities, available for sale	(381,200)	(4,800)	
Purchase of investment securities, held to maturity	(106,000)	(154,800)	
Redemption of investment securities, available for sale	-	4,300	
Redemption of investment securities, held to maturity	246,500	502,600	
Capital expenditures	(77,100)	(74,800)	
Proceeds from sale of fixed assets	-	1,900	
Purchase of intangible assets	(600)	(3,300)	
Net cash provided by (used in)investing activities	(318,400)	271,100	
Financing activities, exercise of stock options	21,000	-	
Net increase (decrease) in cash and cash equivalents	(119,200)	165,500	
Cash and cash equivalents,			

beginning of year	394,600	229,100
Cash and cash equivalents, end of year	$ 275,400	$ 394,600
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$ 700	$ 400

See notes to consolidated financial statements

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2001 AND 2000

1. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Scientific Industries, Inc. and Scientific Packaging Industries, Inc., its inactive wholly-owned subsidiary (collectively referred to as the "Company"). All material intercompany balances and transactions have been eliminated.

Revenue Recognition

Sales are recorded when the goods are shipped to customers.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investment Securities

Securities which the Company has the ability and positive intent to hold to maturity are carried at amortized cost. All held-to-maturity securities mature within one year. Securities available for sale are carried at fair value with unrealized gains or losses reported in a separate component of shareholders' equity. Realized gains or losses are determined based on the specific identification method.

Inventories

Inventories are stated at the lower of cost (first-in, first-out basis) or market.

Property and Equipment

Property and equipment are stated at cost. Depreciation of computer equipment, machinery and equipment and furniture and fixtures is provided for primarily by the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized by the straight-line method over the term of the related lease or the estimated useful lives of the assets, whichever is shorter. The carrying amount of all long-lived assets is evaluated periodically to determine if adjustment to the useful life or to the undepreciated balance is warranted.

1. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Company accounts for income taxes according to the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes". Under the liability method specified by SFAS 109, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities. Deferred income taxes result principally from the timing of the deductibility of the rent accrual, inventory adjustments, deferred compensation, the use of accelerated methods of depreciation and amortization for tax purposes, and net operating loss and tax credit carryforwards.

Stock-Based Compensation

The Company has adopted SFAS No. 123, "Accounting for Stock-Based Compensation" and as permitted by this standard, will continue to apply the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25 to its stock options and other stock-based employee compensation awards and provide the pro forma disclosures required by SFAS No. 123.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted-average number of shares outstanding. Diluted net income (loss) per share includes the dilutive effect of stock options and warrants.

2. Line of Business and Concentration of Credit Risk

The Company is engaged in the manufacturing and marketing of scientific equipment for hospital and industrial laboratories and other healthcare related entities. The Company believes that it has only one reportable segment. Approximately 95% of all sales are generated from the Vortex-Genie (registered trademark) 2 mixer and related accessories. The Company does not obtain collateral for its accounts receivable.

Certain information relating to the Company's export sales and principal customers are as follows:

	2001	2000
Export sales (net) (principally Europe and Asia)	$1,466,100	$1,201,000
Customer (1) in excess of 10% of net sales	$1,245,800	1,128,200

3. Investment Securities

Details as to investment securities are as follows:

	Gross Cost or Amortized Cost	Fair Value	Unrealized Holding Loss
At June 30, 2001:			
Available for sale:			
Equity securities	$ 401,900	$ 396,900	($ 5,000)
Held-to-maturity:			
State and municipal bonds	$ 15,000	$ 15,000	$ -

3. Investment Securities (Continued)

	Gross Cost or Amortized Cost	Fair Value	Unrealized Holding Loss
At June 30, 2000:			
Available for sale:			
Equity securities	$ 20,700	$ 16,100	($ 4,600)
Held-to-maturity:			

State and municipal bonds	$ 90,500	$ 90,400	($ 100)
Certificates of deposit	50,000	50,000	-
Other bonds	15,000	14,800	(200)
	$ 155,500	155,200	($ 300)

4. Inventories

	2001	2000
Raw materials	$436,100	$374,800
Work-in-process	27,000	30,700
Finished goods	113,300	11,400
	$576,400	$416,900

5. Property and Equipment, Net

	Useful Lives (Years)	2001	2000
Computer equipment	3 - 5	$180,700	$161,700
Machinery and equipment	3 - 7	230,200	200,500
Furniture and fixtures	4 - 10	69,600	41,200
Leasehold improvements	3 - 8	34,900	34,900
		515,400	438,300
Less accumulated depreciation and amortization		320,800	256,000
		$194,600	$182,300

6. Bank Line of Credit

The Company has a $200,000 secured bank line of credit collateralized by all the assets of the Company. The credit line expires on November 1, 2001 and bears interest at prime plus 1%. The Company did not utilize this credit line. To support the line of credit available, the Company is required to maintain 20% of the credit line in average monthly balances.

7. Employee Benefit Plan

The Company has a 401(k) profit sharing plan for all eligible employees as defined in the Plan. The Plan provides for voluntary employee salary contributions from 1% to 15% not to exceed the statutory limitation provided by the Internal Revenue Code.

The Company shall match 50% of each participant's salary deferral election, up to a maximum amount for each participant of 2% of their compensation. The Company also has the option to make an additional profit sharing contribution to the Plan. Employer matching contributions to the Plan amounted to $17,000 in 2001 and $16,700 in 2000.

8. Commitments and Contingencies

Leases

The Company is obligated through December 2004 under a noncancelable operating lease for its premises, which requires minimum annual rentals and certain other expenses, including real estate taxes and insurance. Rental expense under the above lease amounted to approximately $232,300 in 2001 and $202,600 in 2000.

As of June 30, 2001, the Company's approximate future minimum rental payments on all operating leases are as follows:

Fiscal Years	
2002	224,800
2003	235,800
2004	245,500
2005	122,900

In accordance with generally accepted accounting principles, the future minimum annual rental expense, computed on a level basis, will be approximately $223,100 under the terms of the lease. Accrued rent, payable in future years, amounted to $27,000 and $10,700 at June 30, 2001 and 2000.

Employment Contract

On June 23, 2000, the Company extended an employment contract with its President through June 30, 2002. The contract provides for an annual salary of $160,000 and also granted the President a five-year option to purchase 10,000 shares of common stock at $1.50 per share. An additional agreement with the President provides that, in the event of termination of his employment within three years after a change of control of the Company, as defined, the Company would be liable for a maximum of approximately three years' salary plus certain benefits.

8. Commitments and Contingencies

Employment Contract (Continued)

The employment contract also provides that, at his option, a portion of the compensation may be deferred to future years. The deferred amounts are to be placed in a separate investment account and all earnings or losses will be for his benefit. As of June 30, 2001 and 2000, $88,900 and $106,500 was segregated into such an account and is included in other assets. The balance due to him is payable out of (but not secured by) the account, in five equal annual installments commencing after the termination of employment. In the event of a change in control of the Company, the entire balance is immediately payable.

9. Income Taxes

Income taxes (benefit) for 2001 and 2000 were different from the amounts computed by applying the Federal income tax rate to the income or loss before income taxes due to the following:

	2001		2000	
	Amount	% of Pretax Loss	Amount	% of Pretax Income
Computed "expected" income tax (benefit)	$ 76,000	34.0%	($ 38,200)	(34.0%)
Non-taxable interest income	-	-	(1,700)	(1.5)
Research and development credits	(15,300)	(6.8)	(17,600)	(15.7)
Other	7,000	3.1	(9,000)	(8.0)
Increase (decrease) in valuation allowance	(169,300)	(75.7)	66,500	59.2
Actual income taxes (benefit)	($101,600)	(45.4%)	($ -)	(0.0%)

9. Income Taxes (Continued)

Deferred tax assets and liabilities consist of the following:

	2000	2000
Deferred tax assets:		
Amortization of intangibles	$ 6,700	$ 5,300
Deferred compensation	30,200	36,200
Net operating loss carryforwards	6,900	88,500
Rent accrual	9,200	3,600
Tax credit carryforwards	44,800	29,500
Other	9,300	7,700
	107,100	170,800
Deferred tax liability:		
Depreciation of property and equipment	(5,500)	(1,500)
	101,600	169,300

Valuation allowance	(-)	(169,300)
Net deferred tax assets	$ 101,600	$ -

At June 30, 2001, the Company has net operating loss carryforwards of approximately $20,200 expiring in 2020. In addition, at June 30, 2001, the Company has tax credit carryforwards of $44,800 expiring in 2014 through 2016. A valuation allowance was recognized to offset the full amount of deferred tax assets at June 30, 2000 due to the uncertainty of realizing these assets in the future.

During the year ended June 30, 2001, the Company determined that it was more likely than not that the Company would realize the full benefit of the deferred tax assets and, accordingly, the valuation allowance of $169,300 at June 30, 2000 was eliminated and included as part of the income tax benefit in 2001.

10. Stock Options and Warrant

The Company has established a stock option plan which provides for the grant of options to purchase up to 300,000 shares of common stock of the Company, par value $.05 per share, ("Common Stock"), through February 2002. The Plan provides for the granting of incentive stock options and non-incentive stock options. Incentive stock options may be granted to employees at an exercise price equal to 100% (or 110% if the optionee owns directly or indirectly more than 10% of the outstanding voting stock) of the fair market value of the shares of Common Stock on the date of the grant. Non-incentive stock options shall be granted at an exercise price not less than 85% of the fair market value of the shares of Common Stock on the date of grant. The Plan also provides that each non-employee member of the board of directors shall be granted, annually commencing in March 1993, for a period of four years, a ten-year option to purchase 3,000 shares of Common Stock at the fair market value on the date of grant and commencing annually in December 1997, for as long as a director, a ten-year option to purchase 4,000 shares of Common Stock at the fair market value on the date of grant. These outstanding options expire at various dates through December 2010. There are no shares of Common Stock reserved and available for future grants at June 30, 2001 under the plan. As of June 30, 2001, there were 3,336 options granted, exercisable upon such shares being available under the Plan which occured on July 1, 2001.

The Company has elected to continue to account for its employee stock options under APB Opinion No. 25, "Accounting for Stock Issued to Employees," under which no compensation expense is recognized for options granted under fixed plans when the option price is not less than the fair market value of the underlying common stock on the date of grant. Pro forma information regarding net income (loss) and earnings (loss) per share, however, is required under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," (SFAS No. 123) for entities continuing to apply APB No. 25. For disclosure purposes, the Company has estimated the fair value of its employee stock options on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for stock options granted in 2001 and 2000, respectively:

	2001	2000
Expected life (in years)	10	10
Risk-free interest rate	5.36%	6.86%
Expected volatility	34.01%	20.39%
Dividend yield	0.00%	0.00%

10. Stock Options and Warrant (Continued)

Under the Black-Scholes model, the total value of stock options granted in 2001 and 2000 was $13,500 and $13,900, respectively, which would be amortized ratably on a pro forma basis over the vesting periods of ten years. Had the Company determined compensation cost for these plans in accordance with SFAS No. 123, the Company's pro forma net income (loss) would have been $305,200 in 2001 and ($124,700) in 2000. The Company's pro forma net income (loss) per share would have been $.36 (basic) and $.31 (diluted) in 2001 and ($.15) (basic and diluted) in 2000. The SFAS No. 123 method of accounting does not apply to options granted prior to January 1, 1995, and, accordingly, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

During the year ended June 30, 2001, an officer exercised options to acquire 60,000 shares at $.35 per share.

Option activity under the above stock option plan is summarized as follows:

	Fiscal 2001		Fiscal 2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Shares under option:				
Outstanding at beginning of year	269,000	$ .99	267,000	$ .99
Granted	16,000	1.33	16,000	.83
Forfeited	-	-	(14,000)	.82
Exercised	(60,000)	.35	-	-
Outstanding at end of year	225,000	$1.19	269,000	$ .99
Options exercisable at year-end	192,001	$1.18	223,333	$ .94

Weighted average fair value

per share of options granted during fiscal 2001 and 2000	$ .84	$ .87

10. Stock Options and Warrant (Continued)

The following table summarizes information about the options under the above Plan outstanding at June 30, 2001:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Outstanding	Weighted-Average Exercise Price
$.35 - .9375	104,000	4.52	$ .70	94,334	$ .68
$1.2813 - 2.00	121,000	5.58	$1.61	97,667	$1.66

In addition, in February 1992, the Company granted to four non-employee members of the board of directors, ten-year options for each to purchase 12,000 shares of Common Stock, at an exercise price of $.35, not covered under the above Plan. The options are exercisable one-third within one year from the date of grant and one-third in each of the following two years. In March 1993, three directors each exercised 8,000 options.

The Company has a stock purchase warrant outstanding covering 17,391 shares of the Company's common stock issued during 2001 for services. The warrant has an exercise price of $1.4375 per share and expires on February 5, 2006.

11. Net Income (Loss) Per Common Share

Net incomne (loss) per common share data was computed as follows:

	2001	2000
Net income (loss)	$325,100	($112,300)
Weighted average common shares outstanding	851,978	835,540
Effect of dilutive securities, stock options and warrant	129,483	-
Weighted average dilutive common shares outstanding	981,461	835,540
Net income (loss) per common share - basic	$ .38	($ .13)

Net income (loss) per common share – diluted	$ .33	($ .13)
	=========	=========

The potential effect of dilution from the assumed exercise of stock options, amounting to 106,192 of Common Stock as of June 30, 2000 were not included in determining dilutive EPS because to do so would be anti-dilutive due to the Company incurring a net loss for that year. Unexercised employee stock options to purchase 71,000 shares of Common Stock at $1.50 to $2.00 per share were outstanding as of June 30, 2000, but were not included in the foregoing potential computation because the options' exercise price was greater than the average market price of the Company's Common Stock.

12. Fair Value of Financial Instruments

The financial statements include various estimated fair value information as of June 30, 2001 and 2000, as required by Statement of Financial Accounting Standards 107, "Disclosure about Fair Value of Financial Instruments." Such information, which pertains to the Company's financial instruments, is based on the requirements set forth in that statement and does not purport to represent the aggregate net fair value of the Company. The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

The carrying value of cash and cash equivalents and investment securities approximates fair market value because of the short maturity of those instruments.

12. Fair Value of Financial Instruments (Continued)

The following table provides summary information on the fair value of significant financial instruments included in the financial statements:

	2001		2000	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Cash and cash equivalents	$275,400	$275,400	$394,600	$394,600
Investment securities (Note 3)	411,900	411,900	171,600	171,300

13. Litigation

In January 1999, the Company commenced litigation against its then second largest customer and another party alleging patent and other violations. On December 1, 1999, a settlement agreement was reached among the parties which included an immediate purchase commitment from the customer of $200,000 which included significant quantities of the Vortex-Genie 2 mixer and, to a lesser extent, quantities of the Company's new products, the Roto-Shake Genie and the Enviro-Genie, a cash payment to the Company of $250,000 which was reflected in the accompanying financial statements as of June 30, 2000, and certain promotional considerations amounting to a maximum of $250,000 based on a percentage of sales of the Company's products. The promotional activities are to be performed during 2000, 2001, and 2002. Since the fair value of the promotional activities cannot be determined, the Company has not recorded any value thereon.

SCIENTIFIC INDUSTRIES, INC.
PROXY FOR ANNUAL MEETING OF STOCKHOLDERS
MARCH 13, 2002
THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS

The undersigned hereby appoints Lowell A. Kleiman and Roger B. Knowles, and each of them, with full power of substitution, to vote, as a holder of the common stock, par value $0.05 per share ("Common Stock"), of Scientific Industries, In., a Delaware corporation (the "Company"), all the shares of Common Stock which the undersigned is entitled to vote, through the execution of a proxy with respect to the 2001 Annual Meeting of Stockholders of the Company (the "Annual Meeting"), to be held at The Princeton Club, 15 West 43rd Street, New York, New York, on Wednesday, March 13, 2002 at 10:00 a.m New York time, and at any adjournments or postponements thereof, and authorizes and instructs said proxies to vote in the manner directed below.

1. Election of Class B Director:
   Election of Joseph I. Kesselman

   ( )FOR nominee
   ( )WITHHOLD AUTHORITY for nominee

2. On proposal to ratify the appointment of Nussbaum, Yates & Wolpower, P.C. as independent auditors for the fiscal year ending June 30, 2002.

   ( )FOR ( )AGAINST ( )ABSTAIN

THIS PROXY IS CONTINUED ON THE REVERSE SIDE, PLEASE VOTE, SIGN AND DATE ON REVERSE SIDE AND RETURN PROMPTLY.

3. IN THEIR DISCRETION, THE PROXIES ARE AUTHORIZED TO VOTE UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE SUCH MEETING OR ADJOURNMENTS OR POSTPONEMENTS THEREOF. PROPERLY EXECUTED AND RETURNED PROXY CARDS WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO INSTRUCTIONS TO THE CONTRARY ARE MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEE AS DIRECTOR, AND APPROVAL OF PROPOSAL NO. 2 LISTED ON THE REVERSE SIDE.

You may revoke this proxy at any time before it is voted by (i) filing a revocation with the Secretary of the Company, (ii) submitting a duly executed proxy bearing a later date than the date or time of the proxy being revoked; or (iii) attending the Annual Meeting and voting in person. A stockholder's attendance at the Annual Meeting will not itself revoke a proxy given by the stockholder.

(Please sign exactly as the name appears below. Joint owners, should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign with full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.)

Dated:___________________

Please complete, sign, date and return the proxy card promptly using the enclosed envelope.

Signature

Signature, if held by joint owners