SCIENTIFIC INDUSTRIES INC
Form 10-Q
May 15, 2009

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

FORM 10-Q

(Mark One)
X QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For quarterly period ended March 31, 2009

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.

(Exact name of registrant as specified in its charter)

Delaware	04-2217279
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

70 Orville Drive, Bohemia, New York	11716
(Address of principal executive offices)	(Zip Code)

(631)567-4700

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	____________	Accelerated Filer	____________
Non-accelerated filer	____________	Smaller reporting company	X

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ______ X No ______

The number of shares outstanding of the issuer's common stock par value, $0.05 per share, as of May 4, 2009 was 1,192,577 shares.

PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 2009	June 30, 2008
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	$ 350,100	$1,065,500
Investment securities	580,900	682,400
Trade accounts receivable, less allowance for doubtful accounts of $11,600 as of March 31, 2009 and June 30, 2008	649,700	454,800
Inventories	1,825,500	1,521,400
Prepaid expenses and other current assets	78,800	84,700
Deferred taxes	60,200	31,400
Total current assets	3,545,200	3,840,200
Property and equipment at cost, less accumulated depreciation of $641,100 as of March 31, 2009 and $586,900 as of June 30, 2008	225,600	247,400
Intangible assets, less accumulated amortization of $400,700 as of March 31, 2009, and $299,900 as of June 30, 2008	362,000	454,600
Goodwill	224,400	158,400
Other	46,000	46,000
Deferred taxes	60,100	30,200
Total assets	$4,463,300	$4,776,800

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 2009	June 30, 2008
Current Liabilities:		
Accounts payable	$ 221,100	$ 241,800
Customer advances	177,800	379,300
Accrued expenses and taxes	327,400	442,900
Loan payable, bank	50,000	-
Total current liabilities	776,300	1,064,000
Shareholders' equity:		
Common stock, $.05 par value; authorized 7,000,000 shares;		

1,205,154 issued and outstanding at March 31, 2009 and 1,201,154 as of June 30, 2008	60,200	60,000
Additional paid-in capital	1,514,800	1,507,000
Accumulated other comprehensive loss, unrealized holding loss on investment securities	(82,400)	(44,400)
Retained earnings	2,246,800	2,242,600
	3,739,400	3,765,200
Less common stock held in treasury, at cost, 19,802 shares	52,400	52,400
Total shareholders' equity	3,687,000	3,712,800
Total liabilities and shareholders' equity	$4,463,300	$4,776,800

See notes to condensed consolidated financial statements (unaudited)

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SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	For the Three Month Periods Ended March 31,		For the Nine Month Periods Ended March 31,	
	2009	2008	2009	2008
Net sales	$1,423,700	$1,381,800	$4,151,000	$4,727,700
Cost of goods sold	866,400	885,900	2,642,900	2,955,900
Gross profit	557,300	495,900	1,508,100	1,771,800
Operating Expenses:				
General & administrative	272,000	234,900	767,100	748,200
Selling	114,400	105,100	314,400	352,800
Research & development	103,500	105,200	317,700	284,800
	489,900	445,200	1,399,200	1,385,800
Income from operations	67,400	50,700	108,900	386,000
Interest & other income, net	4,700	18,900	22,600	48,800
Income before income taxes	72,100	69,600	131,500	434,800
Income tax expense (benefit):				
Current	28,100	23,900	64,500	166,100
Deferred	(13,000)	(3,600)	(31,700)	(23,500)
	15,100	20,300	32,800	142,600
Net income	$ 57,000	$ 49,300	$ 98,700	$ 292,200

Basic earnings per common

share	$ .05	$ .04	$ .08	$ .25
Diluted earnings per common share	$ .05	$ .04	$ .08	$ .24
Cash dividends declared per common share	$ -	$ -	$ .08	$ .07

See notes to condensed consolidated financial statements (unaudited)

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Month Periods Ended March 31, 2009	March 31, 2008
Operating activities:		
Net income	$ 98,700	$ 292,200
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	155,000	163,100
Deferred income taxes	(31,700)	(23,500)
Stock-based compensation	2,700	2,300
Income tax benefit of stock options exercised	2,000	14,000
Changes in assets and liabilities:		
Accounts receivable	(194,900)	(3,900)
Inventories	(304,100)	(499,000)
Prepaid expenses and other current assets	5,900	(97,700)
Other assets	-	(300)
Accounts payable	(20,700)	(54,100)
Customer advances	(201,500)	1,123,200
Accrued expenses and taxes	(36,600)	13,900
Total adjustments	(623,900)	638,000
Net cash provided by (used in) operating activities	(525,200)	930,200
Investing activities:		
Additional consideration for Altamira Instruments, Inc. acquisition	(144,900)	(102,800)
Purchase of investment securities, available-for-sale	(13,600)	(18,500)
Redemptions of investment securities, available-for-sale	50,000	-
Capital expenditures	(32,300)	(60,900)
Purchase of intangible assets	(8,200)	(5,100)
Net cash used in investing activities	(149,000)	(187,300)

Financing activities:		
Proceeds from exercise of stock options	3,300	62,900
Proceeds from line of credit, bank	50,000	-
Cash dividends declared and paid	(94,500)	(80,200)
Net cash used in financing activities	(41,200)	(17,300)
Net increase (decrease) in cash and cash equivalents	(715,400)	725,600
Cash and cash equivalents, beginning of year	1,065,500	388,700
Cash and cash equivalents, end of period	$ 350,100	$1,114,300
Supplemental disclosures:		
Cash paid during the period for:		
Income Taxes	$ 125,000	$ 111,300

See notes to condensed consolidated financial statements (unaudited)

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SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

General: The accompanying unaudited interim condensed consolidated financial statements are prepared pursuant to the Securities and Exchange Commission's rules and regulations for reporting on Form 10-Q and in conformity with U.S. Generally Accepted Accounting Principles applicable to interim financial statements and on a basis that is consistent with the accounting principles applied in our Annual Report on Form 10-KSB for the fiscal year ended June 30, 2008. Accordingly, certain information and footnotes required by accounting principles generally accepted in the United States for complete financial statements are not included herein. The Company believes all adjustments necessary for a fair presentation of these interim statements have been included and that they are of a normal and recurring nature. These interim statements should be read in conjunction with the Company's financial statements and notes thereto, included in its Annual Report on Form 10-KSB, for the fiscal year ended June 30, 2008. The results for the three and nine months ended March 31, 2009, are not necessarily an indication of the results for the full fiscal year ending June 30, 2009.

1. Summary of significant accounting policies:

Principles of consolidation:

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

2. Recent Accounting Pronouncements:

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurement. SFAS No. 157 does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In January 2008, the FASB deferred the effective date for one year for certain non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of this standard and such application had no impact on the Company's financial condition, results of operations, or cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115" ("SFAS No. 159"). SFAS No. 159 allows entities to choose to measure eligible financial instruments at fair value with changes in fair value recognized in earnings of each subsequent reporting date. The fair value election is available for most financial assets and liabilities on an instrument-by-instrument basis and is to be elected on the date the financial instrument is initially recognized. SFAS 159 is effective for all entities as of the beginning of a reporting entity's first fiscal year that begins after November 15, 2007 (with earlier application permitted under certain circumstances). The adoption of SFAS No. 159 had no impact on the Company's financial position or statement of operations.

In April 2008, the FASB issued FSP 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP 142-3"). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets." FSP 142-3 is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the impact of FSP 142-3 on its financial position and results of operations.

3. Acquisition of Altamira Instruments, Inc.:

On November 30, 2006, the Company acquired all of the outstanding capital stock of Altamira. The acquisition was pursuant to a Stock Purchase Agreement (the "Agreement") whereby the Company paid to the sellers $400,000, issued to them 125,000 shares of the

Company's Common Stock and agreed to make additional cash payments equal to 5%, subject to adjustment, of the net sales of Altamira for each of five periods December 1, 2006 to June 30, 2007, each of the fiscal years ending June 30, 2008, 2009, and 2010, and July 1, 2010 to November 30, 2010.

Altamira's principal customers are universities, government laboratories, and chemical and petrochemical companies. The instruments are customized to the customer's specifications, and are sold on a direct basis.

In conjunction with the acquisition of Altamira, management of the Company valued the tangible and intangible assets acquired, including goodwill, customer relationships, non-compete agreements, and certain technology, trade names and trademarks. The carrying amounts of goodwill and other intangible assets are presented in Note 8, "Goodwill and Other Intangible Assets" which represent the valuations determined in conjunction with the acquisition. In addition, other fair market value adjustments were made in conjunction with the acquisition, primarily adjustments to property and equipment, and inventory.

As of March 31, 2009, the adjusted aggregate purchase price of $1,200,900 was allocated to assets acquired and liabilities assumed as follows:

Current assets	$ 734,000
Property and equipment	140,300
Non-current assets	25,100
Goodwill	224,400
Other intangible assets	639,000*
Current liabilities	(561,900)
Adjusted purchase price	$1,200,900

*Of the $639,000 of other intangible assets, $237,000 was allocated to customer relationships with a weighted-average estimated useful life of 10 years, $300,000 was allocated to technology including trade names and trademarks with a useful life of 5 years, and $102,000 was allocated to a non-compete agreement with a useful life of 5 years. The other intangible assets are being amortized on a straight-line basis except that the amount allocated to the customer relationships is being amortized on an accelerated (declining balance) method.

4. Segment Information and Concentrations:

The Company views its operations as two segments: the manufacture and marketing of standard benchtop laboratory equipment for research in university, hospital and industrial laboratories sold primarily through laboratory equipment distributors ("Benchtop Laboratory Equipment Operations"), and the manufacture and marketing of custommade catalyst research instruments for universities, government laboratories, and chemical and petrochemical companies sold on a direct basis ("Catalyst Research Instruments Operations").

Segment information is reported as follows:

Three Months Ended March 31, 2009

	Benchtop Laboratory Equipment	Catalyst Research Instruments	Corporate and Other	Consolidated
Net Sales	$ 928,000	$ 495,700	$ -	$1,423,700
Foreign Sales	547,400	162,500	-	709,900
Profit(Loss)	93,800	(26,400)	4,700	72,100
Segment Assets	2,200,200	1,337,400	925,700	4,463,300
Long-Lived Asset Expenditures	8,000	-	-	8,000
Depreciation and Amortization	14,500	35,600	-	50,100

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Three Months Ended March 31, 2008

	Benchtop Laboratory Equipment	Catalyst Research Instruments	Corporate and Other	Consolidated
Net Sales	$ 945,800	$ 436,000	$ -	$1,381,800
Foreign Sales	489,100	60,800	-	549,900
Profit(Loss)	78,700	(28,000)	18,900	69,600
Long-Lived Asset Expenditures	27,600	-	-	27,600
Depreciation and Amortization	13,600	37,900	-	51,500

Approximately 67% and 68% of net sales of the benchtop laboratory equipment operation for the three month periods ended March 31, 2009 and 2008, respectively, were derived from the Company's main product, the Vortex-Genie 2(R) mixer, excluding accessories.

Two benchtop laboratory equipment operation customers accounted in the aggregate for approximately 26% of the segment's net sales (17% of total net sales) and 34% of the segment's net sales (23% of total net sales) for the three month periods ended March 31, 2009 and 2008, respectively. One of the two customers, a major distributor, which accounted for approximately 14% and 19% of the segment's net sales for the three month periods ended March 31, 2009 and 2008, respectively (9% and 13% of total net sales for the 2009 and 2008 periods, respectively) discontinued the inclusion of the Company's benchtop laboratory equipment products in its new catalog which was released in January 2009. While the customer is continuing to sell the products through its website, Company placed advertisements in the distributor's interim publications, and directly upon request from its customers, the Company expects that there will be a reduction in sales from this customer. To mitigate the possible material adverse effect of the discontinuance, the Company has increased advertisements placed in the distributor's interim publications, and began expanding its selling efforts with a view to increasing sales to other existing distributors. No assurance can be given that the Company will be successful in those efforts.

Sales of catalyst research instruments are generally comprised of a few very large orders amounting, on average, to more than $100,000 to a limited number of new or repeat customers. Sales to three customers, combined, accounted for 96% of the catalyst research instrument operation sales (33% of total net sales) for the three month period ended March 31, 2009. Three other customers, combined, accounted for 84% of the segment's sales (25% of total net sales) for the three months ended March 31, 2008.

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Nine Months Ended March 31, 2009

	Benchtop Laboratory Equipment	Catalyst Research Instruments	Corporate and Other	Consolidated
Net Sales	$2,830,400	$1,320,600	$ -	$4,151,000
Foreign Sales	1,673,000	254,000	-	1,927,000
Profit(Loss)	293,600	(184,700)	22,600	131,500
Segment Assets	2,200,200	1,337,400	925,700	4,463,300
Long-Lived Asset Expenditures	12,500	19,800	-	32,300
Depreciation and Amortization	43,900	111,100	-	155,000

Nine Months Ended March 31, 2008

	Benchtop Laboratory Equipment	Catalyst Research Instruments	Corporate and Other	Consolidated
Net Sales	$2,882,100	$1,845,600	$ -	$4,727,700
Foreign Sales	1,475,900	200,800	-	1,676,700
Profit	267,000	119,000	48,800	434,800
Long-Lived Asset Expenditures	53,600	7,300	-	60,900
Depreciation and Amortization	42,200	120,900	-	163,100

Approximately 68% and 69% of net sales of the benchtop laboratory equipment operation for the nine month periods ended March 31, 2009 and 2008, respectively, were derived from the Company's main product, the Vortex-Genie 2(R) mixer, excluding accessories.

Two benchtop laboratory equipment operation customers accounted in the aggregate for approximately 29% and 32% of the segment's net sales for the nine month periods ended March 31, 2009 and 2008, respectively (20% and 19% of total net sales for the 2009 and 2008 periods, respectively). One of the two, the major distributor (which as discussed above, discontinued the inclusion of the Company's products in its new catalog), accounted for approximately 15% and 20% of the segment's net sales for the 2009 and 2008 nine month periods, respectively, (10% and 12% of total net sales for the 2009 and 2008 periods, respectively).

Sales of the catalyst research instruments operation to two customers, accounted for approximately 27% of that segment's net sales (12% of total net sales) for the nine months ended March 31, 2009. Sales to two other customers accounted for 45% of the segment's net sales (18% of total net sales) for the nine month period ended March 31, 2008.

The Company's foreign sales are principally made to customers in Asia and Europe.

5. Inventories:

Inventories for interim financial statement purposes are based on perpetual inventory records at the end of the applicable period. Components of inventory are as follows:

	March 31, 2009	June 30, 2008
Raw Materials	$ 1,186,000	$ 1,037,900
Work in process	411,500	288,600
Finished Goods	228,000	194,900
	$ 1,825,500	$ 1,521,400

6. Earnings per common share:

Basic earnings per common share are computed by dividing net income by the weighted-average number of shares outstanding. Diluted earnings per common share include the dilutive effect of stock options, if any.

Earnings per common share was computed as follows:

	For the Three Month Periods Ended March 31,	For the Nine Month Periods Ended March 31,

	2009	2008	2009	2008
Net income	$ 57,000	$ 49,300	$ 98,700	$ 292,200
Weighted average common shares outstanding	1,184,730	1,166,011	1,182,461	1,152,261
Effect of dilutive securities	22,182	43,536	29,071	49,907
Weighted average dilutive common shares outstanding	1,206,912	1,209,547	1,211,532	1,202,168
Basic earnings per common share	$ .05	$ .04	$ .08	$ .25
Diluted earnings per common share	$ .05	$ .04	$ .08	$ .24

Approximately 6,500 shares of the Company's common stock issuable upon the exercise of outstanding options were excluded from the calculation of diluted earnings per common share for the three and nine months ended March 31, 2009, because the effect would be anti-dilutive.

7. Comprehensive Income (Loss):

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" establishes standards for disclosure of comprehensive income or loss, which includes net income and any changes in equity from non-owner sources that are not recorded in the income statement (such as changes in the net unrealized gains or losses on securities.) The Company's only source of other comprehensive income is the net unrealized gain or loss on securities. The components of comprehensive income (loss) were as follows:

	For the Three Month Periods Ended March 31,		For the Nine Month Periods Ended March 31,	
	2009	2008	2009	2008
Net Income	$ 57,000	$ 49,300	$ 98,700	$292,200
Other comprehensive (loss):				
Unrealized holding loss arising during period, net of tax	(400)	(20,000)	(48,800)	(28,400)
Comprehensive income	$ 56,600	$ 29,300	$ 49,900	$263,800

8. Goodwill and Other Intangible Assets:

In conjunction with the acquisition of Altamira, management of the Company evaluated the tangible and intangible assets acquired, including customer relationships, non-compete agreements and technology which encompasses trade names, trademarks and licenses. The acquisition agreement provides contingent additional payments to shareholders based on net sales of the catalyst research instrument operations subject to certain limits, which are expected to be earned and paid. Additional consideration accrued for the nine months ended March 31, 2009 amounted to $66,000, which resulted in an increase of goodwill to $224,400 at March 31, 2009 from $158,400 at June 30, 2008.

The components of other intangible assets are as follows:

	Useful Lives	Cost	Accumulated Amortization	Net
At March 31, 2009:				
Technology	5 yrs.	$300,000	$140,000	$160,000
Customer relationships	10 yrs.	237,000	120,900	116,100
Non-compete agreement	5 yrs.	102,000	47,600	54,400
Other intangible assets	5 yrs.	123,700	92,200	31,500
		$762,700	$400,700	$362,000

	Useful Lives	Cost	Accumulated Amortization	Net
At June 30, 2008:				
Technology	5 yrs.	$300,000	$ 95,000	$205,000
Customer relationships	10 yrs.	237,000	90,600	146,400
Non-compete agreement	5 yrs.	102,000	32,300	69,700
Other intangible assets	5 yrs.	115,500	82,000	33,500
		$754,500	$299,900	$454,600

Total amortization expense was $31,800 and $34,700 for the three months ended March 31, 2009 and 2008, respectively and $100,800 and $112,800 for the nine months ended March 31, 2009 and 2008, respectively. As of March 31, 2009, estimated future amortization expense related to intangible assets is $30,500 for the last three months of fiscal year ending June 30, 2009, $119,600 for fiscal 2010, $107,900 for fiscal 2011, $51,000 for fiscal 2012, $11,500 for fiscal 2013, and $41,500 thereafter.

9. Line of Credit

The Company has a line of credit with Capital One Bank, N.A. ("Bank"), which provides for maximum borrowings of up to $500,000. Interest is charged at the Bank's prime rate, which was 3.25% as of March 31, 2009. The Company had borrowings outstanding of $50,000 under this line of credit as of March 31, 2009.

The line of credit is collaterized by the Company's assets to the extent borrowed and outstanding and all outstanding amounts are due and payable on November 1, 2009.

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis or Plan of Operations

Certain statements contained in this report are not based on historical facts, but are forward-looking statements that are based upon various assumptions about future conditions. Actual events in the future could differ materially from those described in the forward-looking information. Numerous unknown factors and future events could cause such differences, including but not limited to, product demand, market acceptance, impact of competition, the ability to reach final agreements, the ability to finance and produce catalyst research instruments to customers' satisfaction, adverse economic conditions, and other factors affecting the Company's business that are beyond the Company's control. Consequently, no forward-looking statement can be guaranteed.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

Liquidity and Capital Resources

Cash and cash equivalents decreased by $715,400 to $350,100 as of March 31, 2009 from $1,065,500 as of June 30, 2008.

Net cash used in operating activities was $525,200 for the nine months ended March 31, 2009 as compared to net cash provided by operating activities of $930,200 for the comparable nine month period in 2008; the change was due mainly to the use of a substantial amount of cash payments on orders received in advance in the prior year period from catalyst research instruments operation customers, and lower income. Cash used in investing activities was $149,000 for the nine months ended March 31, 2009, compared to $187,300 for the nine months ended March 31, 2008 mainly due to investment redemptions during the current year period. Net cash used in financing activities increased to $41,200 compared to $17,300 for the 2008 period due to lower proceeds from stock option exercises and higher dividends, partially offset by borrowings under an existing line of credit.

On September 26, 2008, the Board of Directors of the Company declared a cash dividend of $.08 per share of Common Stock which was paid on January 15, 2009 to holders of record as of the close of business on October 27, 2008.

The Company's working capital of $2,768,900 as of March 31, 2009 approximated the working capital of $2,776,200 as of June 30, 2008. The Company has available for its working capital needs, a one-year line of credit of $500,000 with Capital One Bank, N.A. expiring in November 2009. The Company had borrowings of $50,000 outstanding under this line at March 31, 2009. Advances under the line are secured by the Company's assets and bears interest at the bank's prime rate. Management believes that the Company will be able to meet its cash flow needs during the 12 months ending March 31, 2010 from its available financial resources including its cash and investment securities, and operations.

Results of Operations

Financial Overview

The Company's income before income taxes was $72,100 and $131,500, respectively, for the three and nine month periods ended March 31, 2009 compared to $69,600 and $434,800 for the 2008 three month periods. For the comparative three month periods, the benchtop laboratory equipment operations had an increase in operating income of $15,100 (19%) principally due to lower research and development expenses, while the catalyst research instruments operations incurred a loss of $26,400, approximately the same for the comparative three month periods. For the comparative nine month periods, the benchtop laboratory equipment operations' operating income was $26,600 (10%) higher ($293,600 versus $267,000) due to lower operating expenses. The catalyst research instruments operations, however, incurred a loss of $184,700 for the nine months ended March 31, 2009 as compared to a profit of $119,000 for the prior year nine month period. The loss was the result of lower sales, and, to a lesser extent, increased research and development expenses for new product development, which was partially offset by lower sales commissions. Sales by the catalyst research instrument operations comprise a small number of large orders, (typically averaging more than $100,000 each) and as a result, the segment experiences significant swings in its revenues and profits. As of March 31, 2009, backlog for this segment was approximately $750,000, (as compared to $1,275,000 as of March 31, 2008) substantially all of which is expected to be shipped and recognized in the current fiscal year.

While the slowdown in the nation's economy has had to date only a limited adverse effect on the Company's operations, no representation can be made as to the adverse effect and its duration on the Company's results particularly as to research grants to customers which fund in part their benchtop laboratory equipment purchases and the financings of potential customers for the purchase of catalyst research instruments.

The Three Months Ended March 31, 2009 Compared With the Three Months Ended March 31, 2008

Net sales for the three months ended March 31, 2009 increased $41,900 (3.0%) to $1,423,700 from $1,381,800 for the three months ended March 31, 2008 as a result of higher sales of the catalyst research instruments operations during the current year period compared to the 2008 period. Sales of benchtop laboratory equipment products which are generally pursuant to many small purchase orders from distributors, reflected a small decrease of $17,800 (1.9%). The Company learned in January 2009 that the new catalog of one of its distributors, to which the Company had sales accounting for 14% and 19% of the segment's net sales for the three months ended March 31, 2009 and 2008, respectively, no longer includes the Company's products. The products will continue to be offered by the distributor through its website, Company-placed advertisements in the distributor's interim publications, and in response to telephone inquiries; however, the Company expects that there will be a reduction in sales from this customer. To mitigate the possible adverse effect, the Company began increasing its advertisements in the distributor's interim publications and to expand its selling efforts to other distributors. No assurances can be given that such efforts will be successful.

Sales of the catalyst research instruments operations are comprised of a small number of larger orders, typically averaging over $100,000 each; hence sales revenues are subject to significant swings. As of March 31, 2009 there was a backlog of approximately $750,000 for catalyst research instruments (substantially all of which is expected to be shipped and recognized in the current fiscal year) compared to $1,275,000 as of March 31, 2008.

The gross profit percentage for the three months ended March 31, 2009 increased to 39.1% from 35.9% for the three months ended March 31, 2008, mainly due to higher sales of the catalyst research instrument operations for the comparative periods.

General and administrative expenses ("G&A") for the three month comparative periods ended March 31, 2009 and March 31, 2008 increased by $37,100 (15.8%) to $272,000 from $234,900 primarily as a result of higher expenses for the catalyst research instruments operations.

Selling expenses for the three months ended March 31, 2009 increased $9,300 (8.8%) to $114,400 compared to $105,100 for the three months ended March 31, 2008, due primarily to an increase in promotional expenses for the laboratory equipment operations. The Company intends to further expand its benchtop laboratory equipment sales efforts to include the engagement of one full-time sales person.

Interest and other income for the three months ended March 31, 2009 decreased by $14,200 to $4,700 compared to $18,900 for the three months ended March 31, 2008 as a result of the reduction of cash and investments balances.

Income tax expense for the three months ended March 31, 2009 was $15,100 compared to $20,300 for the three months ended March 31, 2008.

As a result of the foregoing, net income for the three months ended March 31, 2009 was $57,000, an increase of $7,700 (15.6%) from $49,300 for the three months ended March 31, 2008.

The Nine Months Ended March 31, 2009 Compared With the Nine Months Ended March 31, 2008

Net sales for the nine months ended March 31, 2009 decreased by $576,700 (12.2%)to $4,151,000 compared to $4,727,700 for the nine months ended March 31, 2008, due to reductions in sales of $525,000 by the catalyst research instruments operations, and $51,700 by the benchtop laboratory equipment operations. Sales of benchtop laboratory equipment products generally are comprised of many small purchase orders from distributors. The Company learned in January 2009 that the new catalog of one of its distributors, sales to which accounted for 15% and 20% of the segment's net sales for the nine month periods ended March 31, 2009, and 2008, respectively, no longer includes the Company's products. The products will continue to be offered by the distributor through its website, advertisements placed by the Company in the distributor's interim publications, and by customer telephone inquiries. To mitigate the possible adverse effect of lower sales, the Company began to increase its advertisements in the distributor's interim publications and expand its selling efforts to other distributors. No assurance can be given that such efforts will be successful.

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Sales of catalyst research instruments are comprised of a small number of large orders, typically averaging over $100,000 each; hence revenues are subject to significant swings. Although order input for the current year nine month period has been steady, the average order amounts are lower than in the prior year, which can be partially attributable to current economic conditions causing a reduction in funding of large purchases. As of March 31, 2009 there was a backlog of approximately $750,000 for the catalyst research instruments compared to $1,275,000 as of March 31, 2008.

The gross profit percentage for the nine months ended March 31, 2009 decreased to 36.3% compared to 37.5% for the nine months ended March 31, 2008, mainly due to lower sales for the catalyst research instruments operations.

G & A expenses for the nine months ended March 31, 2009 increased slightly by $18,900 (2.5%) to $767,100 from $748,200 for the comparable period last year, primarily as a result of higher expenses for the catalyst research instrument operations.

Selling expenses for the nine months ended March 31, 2009 decreased by $38,400 (10.9%) to $314,400 from $352,800 for the nine months ended March 31, 2008, due primarily to lower commissions with respect to catalyst research instruments sales.

Research and development expenses for the nine months ended March 31, 2009 increased $32,900 (11.6%) to $317,700 compared to $284,800 for the nine months ended March 31, 2008, primarily the result of an increase in such expenses by the catalyst research instruments operation.

Interest and other income for the nine month period ended March 31, 2009 decreased by $26,200 from $48,800 for the prior year nine month period to $22,600 for the nine months ended March 31, 2009, reflecting the effect of smaller cash and investment securities balances.

Income tax expense for the nine months ended March 31, 2009 was $32,800 compared to $142,600 for the nine months ended March 31, 2008, mainly due to the lower income for the current year period.

As a result of the foregoing, net income for the nine months ended March 31, 2009 was $98,700, a decrease of $193,500 (66.2%) from $292,200 for the nine months ended March 31, 2008.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. As of the end of the period covered by this report, based on an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934), the Chief Executive and Chief Financial Officer of the Company has concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in its Exchange Act reports is recorded, processed, summarized and reported within the applicable time periods specified by the SEC's rules and forms. The Company also concluded that information required to be disclosed in such reports is accumulated and communicated to the Company's management, including its principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting. There was no change in the Company's internal controls over financial reporting that occurred during the most recent fiscal quarter that materially affected or is reasonably likely to materially affect the Company's internal controls over financial reporting.

Part II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit Number: Description

31.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K:

None.

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES

SIGNATURE

In accordance with the requirements 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/Helena R. Santos

Helena R. Santos
President, Chief Executive Officer
and Treasurer
Principal Executive, Financial and
Accounting Officer

Date: May 15, 2009