SCIENTIFIC INDUSTRIES INC
Form 10-Q
May 13, 2011

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, 2011

______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 April 29, 2011 was 1,196,577 shares.

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

ITEM 1 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

		Page
	Condensed Consolidated Balance Sheets	1
	Unaudited Condensed Consolidated Statements of Operations	2
	Unaudited Condensed Consolidated Statements of Cash Flows	3
	Notes to Condensed Consolidated Financial Statements	4
ITEM 2	MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS	12
ITEM 4	CONTROLS AND PROCEDURES	15
PART II	OTHER INFORMATION	
ITEM 6	EXHIBITS AND REPORTS ON FORM 8-K	15
SIGNATURE		

PART I-FINANCIAL INFORMATION
Item 1. Financial Statements

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 2011	June 30, 2010
Current Assets:	(Unaudited)	
Cash and cash equivalents	$1,135,900	$ 632,700
Investment securities	685,400	665,600

Trade accounts receivable, net	623,400	1,494,500
Inventories	1,367,200	1,272,600
Prepaid expenses and other current assets	126,500	87,200
Deferred taxes	74,400	73,800
Total current assets	4,012,800	4,226,400
Property and equipment at cost, net	197,400	193,400
Intangible assets, net	138,100	214,200
Goodwill	447,900	405,200
Other assets	25,800	25,700
Deferred taxes	110,700	100,100
Total assets	$4,932,700	$5,165,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 113,500	$ 227,700
Accrued expenses and taxes	197,900	486,000
Total current liabilities	311,400	713,700
Shareholders' equity:		
Common stock, $.05 par value; authorized 7,000,000 shares; 1,216,379 issued and outstanding at March 31, 2011 and June 30, 2010	60,800	60,800
Additional paid-in capital	1,557,900	1,537,200
Accumulated other comprehensive loss	(24,800)	(29,800)
Retained earnings	3,079,800	2,935,500
	4,673,700	4,503,700
Less common stock held in treasury, at cost, 19,802 shares	52,400	52,400
Total shareholders' equity	4,621,300	4,451,300
Total liabilities and shareholders' equity	$4,932,700	$5,165,000

See notes to unaudited condensed consolidated financial statements

1

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

For the Three Month For the Nine Month

	Periods Ended March 31,		Periods Ended March 31,	
	2011	2010	2011	2010
Net sales	$1,460,300	$1,137,600	$4,747,200	$4,209,100
Cost of goods sold	863,500	659,600	2,772,500	2,423,300
Gross profit	596,800	478,000	1,974,700	1,785,800
Operating Expenses:				
General & administrative	282,800	275,100	879,800	847,300
Selling	159,000	141,800	502,300	418,400
Research & development	90,300	82,300	267,700	271,500
	532,100	499,200	1,649,800	1,537,200
Income (loss) from operations	64,700	(21,200)	324,900	248,600
Interest & other income, net	9,800	10,300	25,400	24,200
Income (loss) before income taxes	74,500	(10,900)	350,300	272,800
Income tax expense (benefit):				
Current	19,300	10,500	113,100	107,800
Deferred	(5,000)	(14,600)	(14,800)	(31,000)
	14,300	(4,100)	98,300	76,800
Net income (loss)	$ 60,200	($ 6,800)	$ 252,000	$ 196,000
Basic earnings (loss) per common share	$ .05	($ .01)	$ .21	$ .16
Diluted earnings (loss) per common share	$ .05	($ .01)	$ .21	$ .16
Cash dividends declared per common share	$ -	$ -	$ .09	$ .06

See notes to unaudited condensed consolidated financial statements

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

	For the Nine Month Periods Ended March 31, 2011	March 31, 2010
Operating activities:		
Net income	$ 252,000	$ 196,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	142,200	149,900
Deferred income taxes	(14,800)	(31,000)
Stock-based compensation	20,800	9,500
Income tax benefit of stock options exercised	-	400
Changes in operating assets and liabilities:		
Accounts receivable	871,100	283,800
Inventories	(94,600)	(522,500)
Prepaid expenses and other current assets	(39,300)	22,100
Accounts payable	(114,300)	3,000
Customer advances	-	136,300
Accrued expenses and taxes	(148,200)	(140,800)
Total adjustments	622,900	(89,300)
Net cash provided by operating activities	874,900	106,700
Investing activities:		
Additional consideration for Altamira Instruments, Inc. acquisition	(182,600)	(107,000)
Purchase of investment securities, available-for-sale	(11,100)	(11,000)
Capital expenditures	(61,500)	(22,400)
Purchase of intangible assets	(8,800)	(3,300)
Net cash used in investing activities	(264,000)	(143,700)
Financing activities:		
Proceeds from exercise of stock options	-	5,300
Cash dividends declared and paid	(107,700)	(71,800)
Net cash used in financing activities	(107,700)	(66,500)
Net increase (decrease) in cash and cash equivalents	503,200	(103,500)
Cash and cash equivalents, beginning of year	632,700	738,400
Cash and cash equivalents, end of period	$1,135,900	$ 634,900
Supplemental disclosures:		
Cash paid during the period for:		
Income Taxes	$ 298,400	$ 263,300

See notes to condensed consolidated financial statements (unaudited)

3

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

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. 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 10K, for the fiscal year ended June 30, 2010. The results for the three and nine months ended March 31, 2011, are not necessarily an indication of the results of the full fiscal year ending June 30, 2011.

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 December 2010, the Financial Accounting Standards Board ("FASB") issued a new standard which modifies step 1 of the goodwill impairment test for entities with a zero or negative carrying value to require entities to assess, considering qualitative factors, whether it is more likely than not that a goodwill impairment exists. If an entity concludes that it is more likely than not that goodwill impairment exists, the entity must perform step 2 of the goodwill impairment test. The new standard allows an entity to use either the equity or the enterprise valuation premise to determine the carrying amount of a reporting unit. The Company will adopt the new accounting standard which will become effective for impairment tests to be performed during the fiscal year ending June 30, 2012.

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 at the closing $400,000 in cash, and 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 customizable 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 9, "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, 2011, the total adjusted aggregate purchase price, allocated to assets acquired and liabilities assumed is as follows:

Current assets	$ 734,000
Property and equipment	140,300
Non-current assets	25,100
Goodwill	447,900
Other intangible assets	639,000*
Current liabilities	(561,900)
Adjusted purchase price	$1,424,400

*Of the $639,000 of other intangible assets, $237,000 was allocated to customer relationships with an 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 amounts allocated to other intangible assets are being amortized on a straight-line basis, except for the amount allocated to the customer relationships which 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 by Altamira of custom-made 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:

	Benchtop Laboratory Equipment	Catalyst Research Instruments	Corporate and Other	Consolidated
Three months ended March 31, 2011:				
Net Sales	$1,164,900	$ 295,400	$ -	$1,460,300
Foreign Sales	720,800	201,400	-	922,200
Profit(Loss)	138,900	(74,200)	9,800	74,500
Assets	2,313,900	1,300,400	1,318,400	4,932,700
Long-Lived Asset Expenditures	5,800	800	-	6,600
Depreciation and Amortization	13,800	32,800	-	46,600

	Benchtop Laboratory Equipment	Catalyst Research Instruments	Corporate and Other	Consolidated
Three months ended March 31, 2010:				
Net Sales	$1,011,900	$ 125,700	$ -	$1,137,600
Foreign Sales	585,600	27,900	-	613,500
Profit(Loss)	123,400	(144,600)	10,300	(10,900)
Assets	2,279,900	1,858,300	822,400	4,960,600
Long-Lived Asset Expenditures	11,400	-	-	11,400
Depreciation and Amortization	14,100	33,400	-	47,500

Approximately 70% and 64% of net sales of benchtop laboratory equipment for the three month periods ended March 31, 2011 and 2010, respectively, were derived from the Company's main product, the Vortex-Genie 2(R) mixer, excluding accessories.

Two benchtop laboratory equipment customers accounted in the aggregate for the three month periods ended March 31, 2011 and

2010 for approximately 23% and 32% of the segment's net sales, respectively, (19% and 29% of total net sales, respectively.)

Sales of catalyst research instruments are generally pursuant to large orders averaging more than $100,000 per order to a limited numbers of customers. Sales to two customers in the three months ended March 31, 2011 and another customer in the three months ended March 31, 2010, accounted respectively for 93% and 47% of the segment's net sales (19% and 5% of total net sales) for the respective periods.

6

	Benchtop Laboratory Equipment	Catalyst Research Instruments	Corporate and Other	Consolidated
Nine months ended March 31, 2011:				
Net Sales	$3,431,900	$1,315,300	$ -	$4,747,200
Foreign Sales	1,946,300	746,000	-	2,692,300
Profit(Loss)	486,800	(161,900)	25,400	350,300
Assets	2,313,900	1,300,400	1,318,400	4,932,700
Long-Lived Asset Expenditures	38,100	23,400	-	61,500
Depreciation and Amortization	42,600	99,600	-	142,200

	Benchtop Laboratory Equipment	Catalyst Research Instruments	Corporate and Other	Consolidated
Nine months ended March 31, 2010:				
Net Sales	$3,180,200	$1,028,900	$ -	$4,209,100
Foreign Sales	1,776,900	119,400	-	1,896,300
Profit (Loss)	433,700	(185,100)	24,200	272,800
Assets	2,279,900	1,858,300	822,400	4,960,600
Long-Lived Asset Expenditures	22,400	-	-	22,400
Depreciation and Amortization	45,500	104,400	-	149,900

Approximately 69% and 68% of net sales of benchtop laboratory equipment for the nine month periods ended March 31, 2011 and 2010, respectively, were derived from the Company's main product, the Vortex-Genie 2(R) mixer, excluding accessories.

Two benchtop laboratory equipment customers, accounted in the aggregate for approximately 29% and 30% of the segment's net sales (21% and 23% of total net sales) for the nine month periods ended

March 31, 2011 and 2010, respectively.

Sales of catalyst research instruments to three customers in the nine months ended March 31, 2011 and to three other customers in the nine months ended March 31, 2010 accounted for approximately 43% and 65% of that segment's net sales (12% and 16% of total net sales) for the respective nine month periods.

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

5. Fair Value of Financial Instruments:

The FASB defines the fair value of financial instruments as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements do not include transaction costs.

The accounting guidance also expands the disclosure requirements concerning fair value and establishes a fair value hierarchy of valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are described below:

Level 1 Inputs that are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The following tables set forth by level within the fair value hierarchy the Company's financial assets that were accounted for at fair value on a recurring basis at March 31, 2011 and June 30, 2010 according to the valuation techniques the Company used to determine their fair values:

	Fair Value Measurements Using Inputs Considered as			
	Fair Value at March 31, 2011	Level 1	Level 2	Level 3
Cash and cash equivalents	$1,135,900	$1,135,900	$ -	$ -
Available for sale securities	685,400	685,400	-	-

Total	$1,821,300	$1,821,300	$ -	$ -

	Fair Value Measurements Using Inputs Considered as			
	Fair Value at June 30, 2010	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 632,700	$ 632,700	$ -	$ -
Available for sale securities	665,600	665,600	-	-
Total	$1,298,300	$1,298,300	$ -	$ -

8

Investments in marketable securities classified as available-for-sale by security type at March 31, 2011 and June 30, 2010 consisted of the following:

	Cost	Fair Value	Unrealized Holding Gain (Loss)
At March 31, 2011:			
Available for sale:			
Equity securities	$ 7,800	$ 12,900	$ 5,100
Mutual funds	702,400	672,500	(29,900)
	$ 710,200	$ 685,400	$ (24,800)

	Cost	Fair Value	Unrealized Holding Gain (Loss)
At June 30, 2010:			
Available for sale:			
Equity securities	$ 7,800	$ 9,600	$ 1,800
Mutual funds	687,600	656,000	(31,600)
	$ 695,400	$ 665,600	$ (29,800)

6. Inventories:

At interim reporting periods, inventories for financial statement purposes are based on perpetual inventory records. Components of inventory are as follows:

	March 31, 2011	June 30, 2010
Raw Materials	$ 982,100	$ 896,400
Work in process	204,800	201,400
Finished Goods	180,300	174,800
	$1,367,200	$ 1,272,600

7. 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.

9

Earnings (Loss) per common share was computed as follows:

	For the Three Month Periods Ended March 31,		For the Nine Month Periods Ended March 31,	
	2011	2010	2011	2010
Net income (loss)	$ 60,200	($ 6,800)	$ 252,000	$196,000
Weighted average common shares outstanding	1,196,577	1,196,577	1,196,577	1,195,876
Effect of dilutive securities	17,110	-	16,610	15,738
Weighted average dilutive common shares outstanding	1,213,687	1,196,577	1,213,187	1,211,614
Basic earnings (loss) per common share	$ .05	($ .01)	$ .21	$ .16
Diluted earnings (loss) per common share	$ .05	($ .01)	$ .21	$ .16

Approximately 53,000 and 23,000 shares, respectively, 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, 2010, because the effect would be anti-dilutive.

8. Comprehensive Income:

The FASB established standards for disclosure of comprehensive income or loss, which includes net income or loss and any changes in equity from non-owner sources that are not recorded in the income statement (such as changes in net unrealized gains or losses on securities.) The Company's only source of other comprehensive income or loss is the net unrealized gain or loss on securities. The components of comprehensive income were as follows:

	For the Three Month Periods Ended March 31,		For the Nine Month Periods Ended March 31,	
	2011	2010	2011	2010
Net Income (Loss)	$ 60,200	($ 6,800)	$252,000	$196,000
Other comprehensive income:				
Unrealized holding gain arising during period, net of tax	2,300	6,900	5,000	47,500
Comprehensive income	$ 62,500	$ 100	$257,000	$243,500

9. Goodwill and Other Intangible Assets:

In conjunction with the acquisition of Altamira, management of the Company valued the tangible and intangible assets acquired, including customer relationships, non-compete agreements and technology which encompasses trade names, trademarks and licenses. The valuation resulted in an initial negative goodwill of approximately $91,500 on the date of acquisition which was subsequently adjusted to positive goodwill of $447,900 and $405,200 at March 31, 2011 and June 30, 2010, respectively, all of which is deductible for tax purposes. The related agreement provided for contingent payments to the former shareholders based on net sales for five designated periods of the Catalyst Research Instrument Operations subject to certain limits, which were earned and paid. Additional consideration amounted to $42,700 for the five months ended November 30, 2010 (the fifth and final designated period) and $51,400 for the nine months ended March 31, 2010.

The components of other intangible assets are as follows:

	Useful Lives	Cost	Accumulated Amortization	Net
At March 31, 2011:				
Technology	5 yrs.	$300,000	$260,000	$ 40,000
Customer relationships	10 yrs.	237,000	172,800	64,200
Non-compete agreement	5 yrs.	102,000	88,400	13,600
Other intangible assets	5 yrs.	138,300	118,000	20,300
		$777,300	$639,200	$138,100

Useful Accumulated

	Lives	Cost	Amortization	Net
At June 30, 2010:				
Technology	5 yrs.	$300,000	$215,000	$ 85,000
Customer relationships	10 yrs.	237,000	157,000	80,000
Non-compete agreement	5 yrs.	102,000	73,100	28,900
Other intangible assets	5 yrs.	129,500	109,200	20,300
		$768,500	$554,300	$214,200

Total amortization expense was $26,500 and $29,000 for the three months ended March 31, 2011 and 2010, respectively and $84,900 and $92,600 for the nine months ended March 31, 2011 and 2010, respectively. As of March 31, 2011, estimated future amortization expense related to intangible assets is $26,500 for the remaining three months of the fiscal year ending June 30, 2011, $51,800 for fiscal 2012, $13,500 for fiscal 2013, $9,800 for fiscal 2014, $9,800 for fiscal 2015, and $26,700 thereafter.

10. Note Payable

On January 5, 2011, the Company and Capital One Bank, N.A. ("Bank") agreed to extend the Company's outstanding promissory note through January 3, 2012 in the form of a restatement. The note provides for maximum borrowings of up to $500,000 and interest at the Bank's prime rate, which was 3.25% as of March 31, 2011. Advances are at the discretion of the Bank.

All borrowings under the note are to be collaterized by the Company's assets to the extent of amounts borrowed and outstanding and all outstanding amounts are due and payable on January 3, 2012. The Company had not borrowed under the note as of March 31, 2011 and June 30, 2010.

11

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 increased by $503,200 to $1,135,900 as of March 31, 2011 from $632,700 as of June 30, 2010.

Net cash provided by operating activities increased to $874,900 for the nine month period ended March 31, 2011 as compared to $106,700 for the nine month period ended March 31, 2010, due mainly to the collection of accounts receivable balances, lower inventory levels and income from operations. Cash used in investing activity levels was $264,400 for the nine month period ended March 31, 2011 compared to $143,700 for the nine month period ended March 31, 2010 primarily due to a higher amount of additional consideration paid for the acquisition of Altamira and purchases of new equipment. Cash used in financing activities was $107,700 for the nine month period ended March 31, 2011 compared to $66,500 for the nine month period ended March 31, 2010, due primarily to a higher dividend paid during the nine month period ended March 31, 2011.

On September 21, 2010, the Board of Directors of the Company declared a cash dividend of $.09 per share of Common Stock which was paid on December 15, 2010 to holders of record as of the close of business on October 18, 2010 as compared to $.06 per share paid in the prior fiscal year.

The Company's working capital increased by $188,700 to $3,701,400 as of March 31, 2011 from working capital of $3,512,700 at June 30, 2010 mainly the result of the increased income for the nine months ended March 31, 2011 and a reduction of contingent consideration payments to the sellers of Altamira.

Pursuant to a promissory note with Capital One Bank, N.A. which was restated in January 2011 extending the expiration date from January 3, 2011 to January 3, 2012, at the request of the Company, the Bank at its sole discretion may extend to the Company advances not to exceed an aggregate of $500,000, none of which had been borrowed as of March 31, 2011. The advances are to be secured by the Company's assets and bear interest at the Bank's prime rate. Management believes that the Company will be able to meet its cash flow needs for the next 12 months from its available financial resources including the financing represented by the promissory note and investment securities.

Results of Operations

Financial Overview

The Company recorded income before income taxes of $74,500 and $350,300 for the three and nine month periods ended March 31, 2011 compared to a loss of $10,900 for the three month period ended March 31, 2010 and income of $272,800 for the nine month period ended March 31, 2010, mainly the result of increased sales for both business segments. However, due to the apparent lack of customer funding, the $240,000 backlog for catalyst research instruments at March 31, 2011 is significantly lower than $1,600,000 as of March 31, 2010.

The Three Months Ended March 31, 2011 Compared With the Three Months

Ended March 31, 2010

Net sales for the three months ended March 31, 2011 increased by $322,700 (28.4%) to $1,460,300 compared to $1,137,600 for the three months ended March 31, 2010 as a result of a $153,000 increase in sales of benchtop laboratory equipment and $169,700 increase in sales of catalyst research instruments. Sales of benchtop laboratory equipment products generally are comprised of small purchase orders from distributors, while sales of the catalyst research instruments are comprised of a small number of large orders, typically averaging over $100,000 each, subjecting the segment's revenues to material fluctuations.

The gross profit percentage for the three months ended March 31, 2011 decreased to 40.9% compared to 42.0% for the three months ended March 31, 2010, due primarily to higher material costs for the Benchtop Laboratory Equipment Operations.

General and administrative expenses for the three month comparative periods ended March 31, 2011 and March 31, 2010 increased slightly by $7,700 (2.8%) to $282,800 from $275,100, primarily the result of an increase in expenses to investigate potential external business opportunities.

Selling expenses for the three months ended March 31, 2011 increased $17,200 (12.1%) to $159,000 from $141,800 for the comparable period of the prior year, due primarily to the employment of a customer service representative and added marketing consulting expenses for the Benchtop Laboratory Equipment Operations.

Research and development expenses for the three months ended March 31, 2011 increased by $8,000 (9.7%) to $90,300 compared to $82,300 for the three months ended March 31, 2010, primarily the result of added new product development activity by the Benchtop Laboratory Equipment Operations.

Interest and other income was substantially the same (a $500 decrease) for the three month comparative periods.

Income tax expense for the three month period ended March 31, 2011 was $14,300 compared to a tax benefit of $4,100 for the three month period ended March 31, 2010, reflecting the income of the 2011 period and the loss for the 2010 period.

As a result of the foregoing, the Company recorded net income for the three months ended March 31, 2011 of $60,200 compared to a net loss of $6,800 for the three months ended March 31, 2010.

Nine Months Ended March 31, 2011 Compared With the Nine Months Ended

March 31, 2010

Net sales for the nine months ended March 31, 2011 increased by $538,100 (12.8%) to $4,747,200 compared to $4,209,100 for the nine months ended March 31, 2010, the result of the increases of $251,700 in benchtop laboratory equipment net sales, and $286,400 in catalyst research instruments net sales. Sales of benchtop laboratory equipment products generally are comprised of small purchase orders from distributors, while sales of catalyst research instruments are comprised of a small number of large orders, typically averaging over $100,000 each, subjecting the segment's revenues to material fluctuations.

The gross profit percentage for the comparative nine month periods decreased slightly to 41.6% from 42.4%, due primarily to slightly lower margins for the Catalyst Research Instruments Operations.

General and Administrative expenses increased by $32,500 (3.8%) from $847,300 to $879,800 for the comparative nine month periods ended March 31, 2011 and 2010, primarily the result of an increase in expenses incurred in investigating potential external business opportunities.

Selling expenses for the nine months ended March 31, 2011 increased by $83,900 (20.1%) to $502,300 compared to $418,400 for the nine months ended March 31, 2010, due primarily to the employment of a customer service representative and increased sales commissions paid to independent sales representatives and travel expenses by the Catalyst Research Investment Operations.

Research and development expenses were $3,800 lower for the nine month comparative periods.

Interest and other income was $1,200 lower for the nine month comparative periods.

Higher income for the nine months ended March 31, 2011 resulted in a $21,500 increase in income tax expense to $98,300 as compared to $76,800 for the nine months ended March 31, 2010.

As a result of the foregoing, net income for the nine months ended March 31, 2011 increased by $56,000 (28.6%) to $252,000 as compared with $196,000 for the nine months ended March 31, 2010.

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 recently completed 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:
There were no reports filed.

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 13, 2011