SCIENTIFIC INDUSTRIES INC
Form 10-Q
May 15, 2012

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, 2012

______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), other than Form 8-K Reports, and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ],except for a Form 8-K Report related to a recent acquisition.

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 27, 2012 was 1,335,712 shares.

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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 2012	June 30, 2011
Current Assets:	(Unaudited)	
Cash and cash equivalents	$ 552,200	$ 907,800
Investment securities	713,900	693,400
Trade accounts receivable, net	569,000	620,000
Inventories	2,132,400	1,639,800
Prepaid expenses and other current assets	156,700	197,700
Deferred taxes	74,800	77,700
Total current assets	4,199,000	4,136,400
Property and equipment at cost, net	187,100	175,100
Intangible assets, net	905,600	112,300
Goodwill	589,900	447,900
Other assets	25,700	25,700
Deferred taxes	113,900	115,800
Total assets	$6,021,200	$5,013,200
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 151,600	$ 128,100
Customer advances	307,100	-
Notes payable, current	75,200	-
Accrued expenses and taxes	309,200	284,300
Total current liabilities	843,100	412,400
Contingent consideration payable	92,900	-
Notes payable, long-term	124,200	-
Total liabilities	1,060,200	412,400
Shareholders' equity:		
Common stock, $.05 par value; authorized 7,000,000 shares; 1,355,514 and 1,216,379 issued and outstanding at March 31, 2012 and June 30, 2011	67,800	60,800
Additional paid-in capital	1,966,900	1,558,500
Accumulated other comprehensive loss	(12,600)	(21,500)
Retained earnings	2,991,300	3,055,400
	5,013,400	4,653,200
Less common stock held in treasury, at cost, 19,802 shares	52,400	52,400
Total shareholders' equity	4,961,000	4,600,800
Total liabilities and Shareholders' equity	$6,021,200	$5,013,200

See notes to unaudited condensed consolidated financial statements

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

	For the Three Month Periods Ended March 31,		For the Nine Month Periods Ended March 31,	
	2012	2011	2012	2011
Net sales	$1,519,500	$1,460,300	$4,258,000	$4,747,200
Cost of goods sold	920,500	863,500	2,564,700	2,772,500
Gross profit	599,000	596,800	1,693,300	1,974,700
Operating Expenses:				
General & administrative	318,900	282,800	945,000	879,800
Selling	170,800	159,000	519,800	502,300
Research & development	125,000	90,300	250,500	267,700
	614,700	532,100	1,715,300	1,649,800
Income (loss) from operations	(15,700)	64,700	(22,000)	324,900
Interest & other income, net	4,300	9,800	16,100	25,400
Income (loss) before income taxes	(11,400)	74,500	(5,900)	350,300
Income tax expense (benefit):				
Current	(2,900)	19,300	(3,400)	113,100
Deferred	(300)	(5,000)	1,700	(14,800)
	(3,200)	14,300	(1,700)	98,300
Net income (loss)	($ 8,200)	$ 60,200	($ 4,200)	$ 252,000
Basic earnings (loss) per common share	($ .01)	$ .05	$ .00	$ .21
Diluted earnings (loss) per common share	($ .01)	$ .05	$ .00	$ .21
Cash dividends declared per common share	$ -	$ -	$ .05	$ .09

See notes to unaudited condensed consolidated financial statements

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	For the Three Month Periods Ended March 31,		For the Nine Month Periods Ended March 31,	
	2012	2011	2012	2011
Net income (loss)	($ 8,200)	$ 60,200	($ 4,200)	$ 252,000
Other comprehensive income:				
Unrealized holding gain arising during period, net of tax	7,500	2,300	8,900	5,000
Comprehensive income (loss)	($ 700)	$ 62,500	$ 4,700	$ 257,000

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, 2012	March 31, 2011
Operating activities:		
Net income (loss)	($ 4,200)	$ 252,000
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	141,600	142,200
Deferred income tax (benefit)	1,700	(14,800)
Stock-based compensation	5,700	20,800
Changes in operating assets and liabilities:		
Accounts receivable	51,000	871,100
Inventories	(492,600)	(94,600)
Prepaid expenses and other current assets	41,000	(39,300)
Accounts payable	23,500	(114,300)
Customer advances	307,100	-
Accrued expenses and taxes	5,900	(148,200)
Total adjustments	84,900	622,900
Net cash provided by operating activities	80,700	874,900
Investing activities:		
Additional consideration for acquisition of Altamira Instruments, Inc.	-	(182,600)
Intangible assets acquired in acquisition (Note3)	(260,000)	-
Purchase of investment securities, available-for-sale	(8,300)	(11,100)
Capital expenditures	(66,100)	(61,500)
Purchase of intangible assets, other	(4,900)	(8,800)
Net cash used in investing activities	(339,300)	(264,000)
Financing activities:		
Line of credit proceeds	60,000	-
Line of credit repayments	(60,000)	-
Payments of contingent consideration	(16,100)	-
Proceeds from exercise of stock options	9,600	-
Cash dividend declared and paid	(59,900)	(107,700)
Principal payments on note payable	(30,600)	-
Net cash used in financing activities	(97,000)	(107,700)
Net increase (decrease) in cash and cash equivalents	(355,600)	503,200
Cash and cash equivalents, beginning of year	907,800	632,700

Cash and cash equivalents, end of period	$ 552,200	$ 1,135,900
Supplemental disclosures:		
Cash paid during the period for:		
Income taxes	$ 3,300	$ 298,400
Non-cash investing and financing activities (Note3):		
Fair value of stock issued for acquisition	$ 400,000	$ -
Fair value of note payable issued for acquisition	230,000	-
Fair value of contingent consideration payable in connection with acquisition	128,000	-

See notes to unaudited condensed consolidated financial statements

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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 10-K, for the fiscal year ended June 30, 2011. The results for the three and nine months ended March 31, 2012, are not necessarily an indication of the results for the full fiscal year ending June 30, 2012.

1. Summary of significant accounting policies:

Principles of consolidation:

The accompanying consolidated financial statements include the accounts of Scientific Industries, Inc. ("Scientific", a Delaware corporation), Altamira Instruments, Inc.("Altamira", a wholly owned subsidiary and Delaware corporation), Scientific Packaging Industries, Inc. (an inactive wholly owned subsidiary and New York corporation) and since October 4, 2011, Scientific Bioprocessing, Inc., ("SBI"), a wholly owned subsidiary and Delaware corporation). All are collectively referred to as the "Company". All material intercompany balances and transactions have been eliminated.

2. New Accounting Pronouncements:

In September 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-08, Intangibles-Goodwill and Other (Topic 350)-Testing Goodwill for Impairment (ASU 2011-08), to allow entities to use a qualitative approach to test goodwill for impairment. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. ASU 2011-08 is effective for the Company in fiscal 2013 and earlier adoption is permitted. The Company is currently evaluating the impact of the future adoption of ASU 2011-08 on its consolidated financial statements.

In June 2011, the FASB issued "ASU" No. 2011-05, "Comprehensive Income (ASC Topic 220): Presentation of Comprehensive Income," ("ASU No. 2011-05") which amends current comprehensive income guidance. This accounting update eliminates the option to present the components of other comprehensive income as part of the statement of stockholders' equity and requires the Company report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. The Company adopted the standard during the periods ended March 31, 2012.

3. Acquisition:

On November 14, 2011, the Company through SBI acquired substantially all of the assets of a privately owned company consisting principally of a license and sublicenses under patents held by the University of Maryland, Baltimore County ("UMBC") with respect to the design, development and production of bioprocessing methods, systems and products. The acquisition was pursuant to an asset purchase agreement("APA") whereby the Company paid to the seller $260,000 in cash, issued 135,135 shares of Common Stock valued at $400,000, issued to UMBC a $230,000 36-month note payable, and agreed to make additional cash payments equal to 30% of net royalties received under the acquired license and sublicenses, estimated at a present value of $128,000 on the date of acquisition. The seller maintained that audited financial statements could not be provided in connection with the acquisition. The inability to include the related audited financial statements as required by the Securities Exchange Act of 1934 in the related Current Report on Form 8-K filing resulted in the inability of the Company to register under the Securities Act of 1933, as amended, offerings of the Company's securities during the one year period ending November 2012.

SBI's revenues and profits (if any) are derived from royalties received by SBI under the various sublicense agreements, and revenues from sales of certain products being developed under its existing license. University, government, and industrial laboratories working primarily in the biotechnology industry worldwide are its targeted customers.

Management of the Company allocated the purchase price based on its valuation of the assets acquired, all of which are intangible, as follows:

Technology, trademarks, and in-process research & development ("IPR&D")	$ 500,000
Sublicense agreements	294,000
Engineering drawings and software	64,000
Non-competition agreements	18,000
Goodwill*	142,000
Total Purchase Price	$1,018,000

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*See Note 8, "Goodwill and Other Intangible Assets".

The amounts allocated to Technology, Trademarks, and IPR&D and Sublicense Agreements are deemed to have a useful life of 10 years, and to the remaining intangible assets to have a useful life of 5 years, all of which are being amortized on a straight-line basis, except for goodwill.

In connection with the acquisition, SBI entered into a research and development agreement providing for the seller to perform services with respect to the research and development of bioprocessing methods, systems, and products pursuant to programs set forth in the Agreement. The services are to be performed under the supervision of the designated officer of seller or a qualified replacement. The developer is to receive a fee of $14,000 per month with SBI to bear all related expenses. The agreement is for a two year term with SBI having three one-year extension options. SBI has the right to terminate the agreement in the event of a failure to achieve the designated product development terms set forth in the agreement.

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Pro forma results

The unaudited pro forma condensed consolidated financial information in the table below summarizes the consolidated results of operations of Scientific, Altamira and SBI on a pro forma basis, as though the companies had been combined as of the beginning of each of the periods presented, giving effect to SBI's acquisition of assets in November 2011. The unaudited pro forma condensed financial information presented below is for informational purposes only and is not intended to represent or be indicative of the consolidated results of the operations that would have been achieved if the acquisition had been completed as of the commencement of the period presented. In addition, the seller was unable to provide audited historical financial statements and therefore the information presented is based on management's best judgment using the unaudited financial information provided and the effects of the acquisition including amortization and interest expenses excluding total acquisition related costs incurred of $78,500 for the nine month period ended March 31, 2012:

	For the Three Month Period Ended March 31,	For the Nine Month Periods Ended March 31,	
	2011	2012	2011
Net sales	$1,497,800	$4,333,000	$4,859,700
Net income (loss)	$ 22,000	($ 12,900)	$ 161,000
Net income (loss) per share - basic	$.02	($.01)	$.12

Net income (loss) per share - diluted	$.02	($.01)	$.12

4. Segment Information and Concentrations:

The Company views its operations as three 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"), the manufacture and marketing of custom-made catalyst research instruments for universities, government laboratories, and chemical and petrochemical companies sold on a direct basis ("Catalyst Research Instruments") and the marketing and production of bioprocessing systems for laboratory research in the biotechnology industry sold directly to customers and through distributors ("Bioprocessing Systems").

Segment information is reported as follows:

	Benchtop Laboratory Equipment	Catalyst Research Instruments	Bio-processing Systems	Corporate and Other	Conso-lidated
Three months ended March 31, 2012:					
Net Sales	$1,025,300	$ 418,300	$ 75,900	$ -	$1,519,500
Foreign Sales	613,900	405,900	3,600	-	1,023,400
Profit(Loss)	85,000	(76,000)	(16,300)	(4,100)	(11,400)
Assets	2,446,300	1,239,700	842,700	1,492,500	6,021,200
Long-Lived Asset Expenditures	7,500	-	-	-	7,500
Depreciation and Amortization	12,500	5,900	24,000	-	42,400

	Benchtop Laboratory Equipment	Catalyst Research Instruments	Bio-processing Systems	Corporate and Other	Conso-lidated
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

Approximately 62% and 70% of net sales of benchtop laboratory equipment for the three month periods ended March 31, 2012 and 2011, respectively, were derived from the Company's main product, the Vortex-Genie 2 mixer, excluding accessories.

Two benchtop laboratory equipment customers accounted for approximately 27% and 23% of the segment's net sales,(42% and 19% of total net sales) for the three month periods ended March 31, 2012 and 2011, 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, 2012 and two different customers in the three months ended March 31, 2011, accounted respectively for 92% and 93% of the segment's net sales (25% and 19% of total net sales) for the respective periods.

	Benchtop Laboratory Equipment	Catalyst Research Instruments	Bio-processing Systems	Corporate and Other	Conso-lidated
Nine months ended March 31, 2012:					
Net Sales	$3,208,900	$ 973,200	$ 75,900	$ -	$4,258,000
Foreign Sales	1,977,700	27,000	3,600	-	2,508,300
Profit(Loss)	357,400	(252,400)	(48,600)	(62,300)	(5,900)
Assets	2,446,300	1,239,700	842,700	1,492,500	6,021,200
Long-Lived Asset Expenditures	21,500	49,500	876,000	-	947,000
Depreciation and Amortization	36,700	68,900	36,000	-	141,600

	Benchtop Laboratory Equipment	Catalyst Research Instruments	Bio-processing Systems	Corporate and Other	Conso-lidated
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

Approximately 63% and 69% of net sales of benchtop laboratory equipment for the nine month periods ended March 31, 2012 and 2011, respectively, were derived from the Company's main product, the Vortex-Genie 2 mixer, excluding accessories.

Two benchtop laboratory equipment customers, accounted for approximately 26% and 29% of the segment's net sales (20% and 21% of total net sales) for the nine month periods ended March 31, 2012 and 2011, respectively.

Sales of catalyst research instruments to three customers in the nine months ended March 31, 2012 and to three other customers in the nine months ended March 31, 2011 accounted for approximately 65% and 43% of that segment's net sales (15% and 12% 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 Financial Accounting Standards Board ("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 and liabilities that were accounted for at fair value on a recurring basis at March 31, 2012 and June 30, 2011 according to the valuation techniques the Company used to determine their fair values:

Fair Value Measurements Using Inputs

Assets:	Fair Value at March 31, 2012	Considered as Level 1	Level 2	Level 3
Cash and cash equivalents	$ 552,200	$ 552,200	$ -	$ -
Available for sale securities	713,900	713,900	-	-
Total	$1,266,100	$1,266,100	$ -	$ -
Liabilities:				
Contingent consideration	$ 111,900	$ -	$ -	$111,900

Fair Value Measurements Using Inputs Considered as

Assets:	Fair Value at JUne 30, 2011	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 907,800	$ 907,800	$ -	$ -
Available for sale securities	693,400	693,400	-	-
Total	$1,601,200	$1,601,200	$ -	$ -
Liabilities:				
Contingent consideration	$ -	$ -	$ -	$ -

Investments in marketable securities classified as available-for-sale by security type at March 31, 2012 and June 30, 2011 consisted of the following:

	Cost	Fair Value	Unrealized Holding Gain (Loss)
At March 31, 2012:			
Available for sale:			
Equity securities	$ 7,800	$ 16,600	$ 8,800
Mutual funds	718,700	697,300	(21,400)
	$ 726,500	$ 713,900	$ (12,600)

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At June 30, 2011:
Available for sale:

Equity securities	$ 7,800	$ 13,300	$ 5,500
Mutual funds	707,100	680,100	(27,000)
	$ 714,900	$ 693,400	$ (21,500)

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, 2012	June 30, 2011
Raw Materials	$1,218,700	$1,051,300
Work in process	681,000	408,200
Finished Goods	232,700	180,300
	$2,132,400	$1,639,800

7. Earnings (Loss) per common share:

Basic earnings (losses) 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 (Loss) per common share was computed as follows:

	For the Three Month Periods Ended March 31,		For the Nine Month Periods Ended March 31,	
	2012	2011	2012	2011
Net income (loss)	($ 8,200)	$ 60,200	($ 4,200)	$ 252,000
Weighted average common shares outstanding	1,335,712	1,196,577	1,265,714	1,196,577
Effect of dilutive securities	-	17,110	-	16,610
Weighted average dilutive common shares outstanding	1,335,712	1,213,687	1,265,714	1,213,187
Basic earnings (loss) per common share	($ .01)	$ .05	($ .00)	$ .21
Diluted earnings (loss) per common share	($ .01)	$ .05	($ .00)	$ .21

Approximately 55,000 shares of the Company's common stock issuable upon the exercise of outstanding options were excluded from the calculation of diluted loss per common share, for the three and nine month periods ended March 31, 2012, respectively, because the effect would be anti-dilutive due to the losses for the periods.

8. Goodwill and Other Intangible Assets:

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in connection with the Company's acquisition of Altamira and SBI's acquisition of assets. Goodwill amounted to $589,900 and $447,900 as of March 31, 2012 and June 30, 2011, respectively, of which $142,000 relates to the newly acquired assets of SBI as of March 31, 2012 and $447,900 relates to the acquisition of Altamira as of the end of both periods.

The components of other intangible assets are as follows:

	Useful Lives	Cost	Accumulated Amortization	Net
At March 31, 2012:				
Technology, trademarks	5/10 yrs.	$ 864,000	$ 323,500	$ 540,500
Customer relationships	10 yrs.	237,000	189,400	47,600
Sublicense agreements	10 yrs.	294,000	11,000	283,000
Non-compete agreements	5 yrs.	120,000	103,400	16,600
Other intangible assets	5 yrs.	143,900	126,000	17,900
		$1,658,900	$ 753,300	$ 905,600

	Useful Lives	Cost	Accumulated Amortization	Net
At June 30, 2011:				
Technology, trademarks	5 yrs.	$ 300,000	$ 275,000	$ 25,000
Customer relationships	10 yrs.	237,000	177,200	59,800
Non-compete agreement	5 yrs.	102,000	93,500	8,500
Other intangible assets	5 yrs.	139,000	120,000	19,000
		$ 778,000	$ 665,700	$ 112,300

Total amortization expense was $26,300 and $26,500 for the three months ended March 31, 2012 and 2011, respectively and $87,600 and $84,900 for the nine months ended March 31, 2012 and 2011, respectively. As of March 31, 2012, estimated future amortization expense related to intangible assets is $30,800 for the remainder of the fiscal year ending June 30, 2012, $111,600 for fiscal 2013, $107,800 for fiscal 2014, $104,200 for fiscal 2015, $108,900 for fiscal 2016, and $442,300 thereafter.

9. Loan Payable, Bank

The Company has a line of credit with its bank, JPMorgan Chase Bank, N.A.

(the "Bank"), providing for maximum borrowings of up to $700,000, bearing interest at 3.08 percentage points above a defined LIBOR Index, (3.33% at March 31, 2012) and secured by a pledge of collateral consisting of the inventory, accounts, chattel paper, equipment and general intangibles of the Company. Outstanding amounts are due and payable by June 13, 2013 with a requirement that the Company is to reduce the outstanding principal balance to zero during the 30 day period ending on the anniversary date of the related note evidencing the borrowing. No amounts were outstanding at March 31, 2012 and June 30, 2011.

10. Notes Payable

In conjunction with the acquisition described in footnote number 3, the Company issued a $230,000 promissory note bearing interest at 3.25% payable in 36 equal monthly installments of $6,700 with the last payment due October 2014. As of March 31, 2012 the current and long-term portions of the note were $75,200 and $124,200, respectively.

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 $355,600 to $552,200 as of March 31, 2012 from $907,800 as of June 30, 2011.

Operating activities provided $80,700 of cash for the nine month period ended March 31, 2012 as compared to $874,900 for the nine month period ended March 31, 2011, due mainly to higher inventory balances and lower income partially offset by advances from customers of Altamira with respect to their orders and a much lower change in accounts receivable balances. Cash used in investing activities was $339,300 for the nine month period ended March 31, 2012 compared to $264,000 for the nine month period ended March 31, 2011 primarily due to the acquisition by SBI of intangible assets. Cash used in financing activities was $97,000 for the nine month period ended March 31, 2012 compared to $107,700 for the nine month period ended March 31, 2011, due primarily to a lower dividend paid in the current fiscal year.

On September 13, 2011, the Board of Directors of the Company declared a cash dividend of $.05 per share of Common Stock which was paid on November 18, 2011 to holders of record as of the close of business on September 26, 2011 as compared to $.09 per share paid in the prior fiscal year period.

The Company's working capital decreased by $349,100 to $3,374,900 as of March 31, 2012 from working capital of $3,724,000 at June 30, 2011 mainly the result of the asset purchase acquisition by SBI.

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 its cash and cash equivalents, the line of credit and investment securities.

Results of Operations

Financial Overview

The Company recorded a loss before income tax benefit of $11,400 for the three month period ended March 31 2012 compared to income before income taxes of $74,500 for the comparative period last year, primarily as a result of the reduction in income for the Benchtop Laboratory Equipment Operations and a loss generated by the new Bioprocessing Systems business. For the comparative nine month periods ended March 31, 2012, the Company reflected a loss before income tax benefit of $5,900 compared to income before income taxes of $350,300 for the comparable 2011 period, also principally due to the lower income generated by the Benchtop Laboratory Equipment Operations, the increased loss for the Catalyst Research Instrument Operations, the loss derived by the new Bioprocessing Systems Operations and the related acquisition costs.

The Three Months Ended March 31, 2012 Compared With the Three Months Ended March 31, 2011

Net sales for the three months ended March 31, 2012 increased by $59,200 (4.1%) to $1,519,500 from $1,460,300 for the three months ended March 31, 2011 as a result of a $122,900 increase in catalyst research instrument sales and revenues of $75,900, primarily royalties, of the new Bioprocessing Systems Operations, partially offset by a $139,600 decrease in sales of benchtop laboratory equipment. Sales of benchtop laboratory equipment products generally comprise many small orders from distributors, while catalyst research instruments are sold pursuant to a small number of larger orders, typically averaging over $100,000 each, resulting in significant swings in revenues. The Bioprocessing Systems Operations generate revenues from royalties. Once new product development is completed, it expects to also generate sales from such products, although no assurance can be given that the future developed products will result in meaningful sales. The backlog of orders for catalyst research instruments was $850,000 as of March 31, 2012, substantially all of which is expected to be delivered by fiscal year end, as compared to the backlog as of March 31, 2011 of $240,000.

The gross profit percentage for the three months ended March 31, 2012 decreased to 39.4% compared to 40.9% for the three months ended March 31, 2011, due primarily to the increase in overhead costs for the Catalyst Research Instrument Operations.

General and administrative expenses for the three months ended March 31, 2012 increased $36,100 (12.8%) to $318,900 from $282,800 for the three months ended March 31, 2011, primarily due to the amortization expenses incurred by the new Bioprocessing Systems Operations.

Selling expenses for the three months ended March 31, 2012 increased $11,800 (7.4%) to $170,800 from $159,000 for the three months ended March 31, 2011, primarily the result of higher selling costs incurred by the Benchtop Laboratory Equipment Operations.

Research and development expenses for the three months ended March 31, 2012 increased by $34,700 (38.4%) to $125,000 from $90,300 for the three months ended March 31, 2011, primarily the result of new product development costs related to the new Bioprocessing Systems Operations.

Interest and other income, net, decreased to $4,300 for the three months ended March 31, 2012 from $9,800 for the prior year period, mostly due to lower cash balances and interest rates, and the interest expense incurred by the new Bioprocessing Systems Operations.

As a result of the loss of $11,400 for the three months ended March 31, 2012, the Company recorded an income tax benefit of $3,200 compared to income tax expense of $14,300 for the three months ended March 31, 2011.

The result of the foregoing was a net loss for the three months ended March 31, 2012 of $8,200 compared to net income of $60,200 for the three months ended March 31, 2011.

Nine Months Ended March 31, 2012 Compared With the Nine Months Ended March 31, 2011

Net sales for the nine months ended March 31, 2012 decreased by $489,200 (10.3%) to $4,258,000 compared to $4,747,200 for the nine months ended March 31, 2011, due to decreases of $342,100 in catalyst research instrument sales and $223,000 in benchtop laboratory equipment sales, the latter reflecting a decrease in orders from both U.S. customers and

European customers. Sales of benchtop laboratory equipment products generally are comprised of many 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, resulting in significant swings in revenues. The backlog of orders for catalyst research instruments was $850,000 as of March 31, 2012, substantially all of which is anticipated to be delivered by fiscal year end, as compared with $240,000 as of March 31, 2011.

The gross profit percentage for the nine months ended March 31, 2012 was 39.8% as compared with 41.6% for the prior year period mostly due to the reduced margins for the Benchtop Laboratory Equipment Operations.

General and administrative expenses increased by $65,200 (7.4%) to $945,000 for the nine months ended March 31, 2012 from $879,800 for the comparable period last year, primarily the result of amortization for the new Bioprocessing Systems Operations including costs related to the asset acquisition by SBI.

Selling expenses for the nine months ended March 31, 2012 increased by $17,500 (3.5%) to $519,800 compared to $502,300 for the nine months ended March 31, 2011, due to higher selling expenses incurred by the Benchtop Laboratory Equipment Operations related to its foreign sales.

Research and development expenses for the nine months ended March 31, 2012 decreased by $17,200 (6.4%) to $250,500 from $267,700 for the nine months ended March 31, 2011, due to a reduction in new product development activity by both the Benchtop Laboratory Equipment and Catalyst Research Instruments Operations, partially offset by the new costs incurred by the Bioprocessing Systems Operations.

Interest and other income, net, decreased to $16,100 for the nine months ended March 31, 2012 from $25,400 for the nine month period of the prior year period, mainly due to smaller cash balances and lower interest rates, and the interest expense incurred by the new Bioprocessing Systems Operations.

Due to the loss incurred for the nine months ended March 31, 2012, the Company reflected an income tax benefit of $1,700 compared to income tax expense of $98,300 for the nine months ended March 31, 2011.

As a result of the foregoing, the net loss for the nine months ended March 31, 2012 was $4,200 compared to net income of $252,000 for the nine months ended March 31, 2011.

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 B 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:

Report dated January 23, 2012 reporting under Items 1.01 and 5.07.

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, 2012