SCIENTIFIC INDUSTRIES INC
Form 10-Q
February 14, 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 December 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), 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 Alarge 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 February 6, 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

	December 31, 2011	June 30, 2011
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	$ 763,500	$ 907,800
Investment securities	700,900	693,400
Trade accounts receivable, net	660,100	620,000
Inventories	1,955,400	1,639,800
Prepaid expenses and other current assets	177,700	197,700
Deferred taxes	78,000	77,700
Total current assets	4,335,600	4,136,400
Property and equipment at cost, net	199,000	175,100
Intangible assets, net	928,600	112,300
Goodwill	589,900	447,900
Other assets	25,700	25,700
Deferred taxes	112,900	115,800
Total assets	$6,191,700	$5,013,200

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 2011	June 30, 2011
Current Liabilities:		
Accounts payable	$ 241,000	$ 128,100
Customer advances	326,900	-
Loan payable, bank	60,000	-
Notes payable, current	74,600	-
Accrued expenses and taxes	261,100	284,300
Total current liabilities	963,600	412,400
Contingent consideration payable	128,000	-
Notes payable, long-term	143,200	-
Total liabilities	1,234,800	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 December 31, 2011 and June 30, 2011	67,800	60,800
Additional paid-in capital	1,962,100	1,558,500
Accumulated other comprehensive loss	(20,100)	(21,500)
Retained earnings	2,999,500	3,055,400
	5,009,300	4,653,200
Less common stock held in treasury, at cost,		

19,802 shares	52,400	52,400
Total shareholders' equity	4,956,900	4,600,800
Total liabilities and Shareholders= equity	$6,191,700	$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 December 31,		For the Six Month Periods Ended December 31,	
	2011	2010	2011	2010
Net sales	$1,197,600	$2,031,500	$2,738,500	$3,286,900
Cost of goods sold	707,200	1,162,200	1,644,200	1,909,000
Gross profit	490,400	869,300	1,094,300	1,377,900
Operating Expenses:				
General & administrative	335,100	310,300	626,100	597,000
Selling	160,100	202,900	349,000	343,300
Research & development	78,700	89,900	125,500	177,400
	573,900	603,100	1,100,600	1,117,700
Income (loss) from operations	(83,500)	266,200	(6,300)	260,200
Interest & other income, net	5,000	6,400	11,800	15,600
Income (loss) before income taxes	(78,500)	272,600	5,500	275,800
Income tax expense (benefit):				
Current	(21,800)	87,300	(500)	93,900
Deferred	(1,400)	(4,300)	2,000	(9,900)
	(23,200)	83,000	1,500	84,000
Net income (loss)	($ 55,300)	$ 189,600	$ 4,000	$ 191,800
Basic earnings (loss) per common share	$ (.04)	$ .16	$ -	$ .16
Diluted earnings (loss) per common share	$ (.04)	$ .16	$ -	$ .16
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 CASH FLOWS

	For the Six Month Periods Ended December 31, 2011	December 31, 2010
Operating activities		
Net income	$ 4,000	$ 191,800
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	99,300	95,600
Deferred income tax (benefit)	2,000	(9,900)
Stock-based compensation	1,000	4,900
Changes in operating assets and liabilities:		
Accounts receivable	(40,100)	614,400
Inventories	(315,600)	(105,300)
Prepaid expenses and other current assets	20,000	12,500
Accounts payable	112,900	(113,300)
Customer advances	326,900	190,000
Accrued expenses and taxes	(23,200)	(12,400)
Total adjustments	183,200	676,500
Net cash provided by operating activities	187,200	868,300
Investing activities:		
Additional consideration for acquisition of Altamira Instruments, Inc.	-	(139,900)
Intangible assets acquired in acquisition (Note 3)	(260,000)	-
Purchase of investment securities, available-for-sale	(5,500)	(6,700)
Capital expenditures	(61,900)	(54,900)
Purchase of intangible assets, other	(1,600)	(8,600)
Net cash used in investing activities	(329,000)	(210,100)
Financing activities:		
Line of credit proceeds	60,000	-
Proceeds from exercise of stock options	9,600	-
Cash dividend declared and paid	(59,900)	(107,700)
Principal payments on note payable	(12,200)	-
Net cash used in financing activities	(2,500)	(107,700)
Net increase (decrease) in cash		

and cash equivalents	(144,300)	550,500
Cash and cash equivalents, beginning of year	907,800	632,700
Cash and cash equivalents, end of period	$ 763,500	$1,183,200
Supplemental disclosures:		
Cash paid during the period for:		
Income taxes	$ 3,300	$ 164,000
Non-cash investing and financing activities (Note 3):		
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 six months ended December 31, 2011, 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 "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. ASU 2011-05 will be effective for public companies during the interim and annual periods beginning after December 15, 2011 with early

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adoption permitted. The Company has not adopted the standard yet and does not expect that the adoption of ASU 2011-05 will have an impact on its consolidated results of operations, financial condition or cash flows as it only requires a change in the format of our current presentation.

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 will result in the inability of the Company to register securities offerings with respect to the Company's securities during the one year period ending November 2012.

SBI's revenues and profits, if any, are be derived from royalties received by SBI under the various sublicense agreements, and revenues from sales of certain new 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

*See Note 9, "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, to the remaining intangible assets 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.

The Company reflected the financial results of SBI in its consolidated financial statements from the date of acquisition which consisted primarily of research and development expenses and amortization expenses.

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Pro forma results

The unaudited pro forma condensed financial information in the table below summarizes the combined 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 acquisition related costs incurred of $38,600 and $70,000 for the three and six month periods ended December 31, 2011:

	For the Three Month Periods Ended December 31,		For the Six Month Periods Ended December 31,	
	2011	2010	2011	2010
Net sales	$1,235,100	$2,069,000	$2,813,500	$3,361,900
Net income (loss)	($ 40,700)	$ 157,900	$ 6,300	$ 122,800
Net income (loss) per share - basic	($.03)	$.12	$.00	$.09
Net income (loss) per share - diluted	($.03)	$.12	$.00	$.09

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 December 31, 2011:					
Net Sales	$1,108,500	$ 89,100	$ -	$ -	$1,197,600
Foreign Sales	755,100	112,000	-	-	867,100
Profit(Loss)	105,200	(117,800)	(32,300)	(33,600)	(78,500)
Assets	2,467,600	1,375,700	866,600	1,481,800	6,191,700
Long-Lived Asset Expenditures	4,500	2,800	876,000	-	883,300
Depreciation and Amortization	12,300	27,800	12,000	-	52,100

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	Benchtop Laboratory Equipment	Catalyst Research Instruments	Bio-processing Systems	Corporate and Other	Conso-lidated
Three months ended December 31, 2010:					

Net Sales	$1,244,900	$ 786,600	$ -	$ -	$2,031,500
Foreign Sales	705,600	518,600	-	-	1,224,200
Profit (Loss)	247,400	43,300	-	(18,100)	272,600
Assets	2,305,400	1,611,700	-	1,306,800	5,223,900
Long-Lived Asset Expenditures	34,300	20,700	-	-	55,000
Depreciation and Amortization	14,800	33,500	-	-	48,300

Approximately 63% and 70% of net sales of benchtop laboratory equipment (59% and 61% of total net sales) for the three month periods ended December 31, 2011 and 2010, respectively, were derived from that segment's main product, the Vortex-Genie 2(r) mixer, excluding accessories.

Two benchtop laboratory equipment customers, accounted in the aggregate for approximately 26% and 36% of the segment's net sales (24% and 22% of total net sales) for the three month periods ended December 31, 2011 and 2010, 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 one customer during the three month period ended December 31, 2011 and to four other customers during the three month period ended December 31, 2010 accounted respectively for 73% and 67% of the segment's net sales (25% and 26% of total net sales).

	Benchtop Laboratory Equipment	Catalyst Research Instruments	Bio-processing Systems	Corporate and Other	Conso-lidated
Six months ended December 31, 2011:					
Net Sales	$2,183,600	$ 554,900	$ -	$ -	$2,738,500
Foreign Sales	1,363,700	121,100	-	-	1,484,800
Profit(Loss)	272,400	(176,400)	(32,300)	(58,200)	5,500
Assets	2,467,600	1,375,700	866,600	1,481,800	6,191,700
Long-Lived Asset Expenditures	14,000	49,500	876,000	-	939,500
Depreciation and Amortization	24,300	63,000	12,000	-	99,300

	Benchtop Laboratory Equipment	Catalyst Research Instruments	Bio-processing Systems	Corporate and Other	Conso-lidated
Six months ended December 31, 2010:					
Net Sales	$2,267,000	$1,019,900	$ -	$ -	$3,286,900
Foreign Sales	1,226,100	544,600	-	-	1,770,700
Profit (Loss)	379,600	(87,700)	-	(16,100)	275,800
Assets	2,305,400	1,611,700	-	1,306,800	5,223,900
Long-Lived Asset Expenditures	41,000	22,500	-	-	63,500
Depreciation and Amortization	28,600	67,000	-	-	95,600

Approximately 63% and 68% of net sales of benchtop laboratory equipment (50% and 47% of total net sales) for the six month periods ended December 31, 2011 and 2010, respectively, were derived from that segment's main product, the Vortex-Genie 2(r) mixer, excluding accessories.

Two benchtop laboratory equipment customers, accounted in the aggregate for approximately 23% and 32% of the segment's net sales respectively, and 19% and 22% of total net sales for the six month periods ended December 31, 2011 and 2010, respectively.

Sales of catalyst research instruments to four different customers, accounted respectively for approximately 88% and 43% of that segment=s net sales (18% and 13% of total net sales) for the six month period ended December 31, 2011 and 2010, respectively.

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 (AFASB@) 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 around 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 valuation 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 December 31, 2011 and June 30, 2011 according to the valuation techniques the Company used to determine their fair values:

Fair Value Measurements Using Inputs Considered as

	Fair Value at December 31, 2011	Level 1	Level 2	Level 3
Cash and cash equivalent	$ 763,500	$ 763,500	$ -	$ -
Available for sale securities	700,900	700,900	-	-
Total	$1,464,400	$1,464,400	$ -	$ -

	Fair Value at June 30, 2011	Fair Value Measurements Using Inputs Considered as 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	$ -	$ -

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

	Cost	Fair Value	Unrealized Holding Gain (Loss)
At December 31, 2011			
Available for sale:			
Equity securities	$ 7,800	$ 15,300	$ 7,500
Mutual funds	713,200	685,600	(27,600)
	$ 721,000	$ 700,900	$ (20,100)

	Cost	Fair Value	Unrealized Holding Gain (Loss)
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:

Inventories for financial statement purposes are based on perpetual inventory records at December 31, 2011 and based on a physical count as of June 30, 2011. Components of inventory are as follows:

	December 31, 2011	June 30, 2011

Raw Materials	$1,139,900	$1,051,300
Work in process	613,900	408,200
Finished Goods	201,600	180,300
	$1,955,400	$1,639,800

7. Earnings (loss) per common share:

Basic earnings (loss) per common share are computed by dividing net income (loss)) 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 December 31,		For the Six Month Periods Ended December 31,	
	2011	2010	2011	2010
Net income (loss)	($ 55,300)	$ 189,600	$ 4,000	$ 191,800
Weighted average common shares outstanding	1,265,613	1,196,577	1,231,095	1,196,577
Effect of dilutive securities	-	17,308	14,873	16,360
Weighted average dilutive common shares outstanding	1,265,613	1,213,885	1,245,968	1,212,937
Basic earnings (loss) per common share	($ .04)	$ .16	$ .00	$ .16
Diluted earnings (loss) per common share	($ .04)	$ .16	$ .00	$ .16

Approximately 2,000 and 1,500 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 six month periods ended December 31, 2011 and 2010, respectively, and 1,500 were excluded from the computation for the three month period ended December 31, 2010 because the effect would be anti-dilutive. Approximately 57,000 shares were excluded from the computation for the three month period ended December 31, 2011 because it would be anti-dilutive due to the loss for the period.

8. Comprehensive Income (Loss):

The FASB established 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 investment securities. The components of comprehensive income (loss) were as follows:

	For the Three Month Periods Ended December 31, 2011	2010	For the Six Month Periods Ended December 31, 2011	2010
Net Income (Loss)	($ 55,300)	$189,600	$ 4,000	$191,800
Other comprehensive income(loss): Unrealized holding gain (loss) arising during period, net of tax	2,300	(7,700)	1,400	2,700
Comprehensive income (loss)	($ 53,000)	$181,900	$ 5,400	$194,500

9. 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 December 31, 2011 and June 30, 2011, respectively, of which $142,000 relates to the newly acquired assets of SBI as of December 31, 2011 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 December 31, 2011:				
Technology, trademarks	5/10 yrs.	$ 864,000	$ 307,800	$ 556,200
Customer relationships	10 yrs.	237,000	188,600	48,400
Sublicense agreements	10 yrs.	294,000	3,700	290,300
Non-compete agreements	5 yrs.	120,000	102,500	17,500
Other intangible assets	5 yrs.	140,600	124,400	16,200
		$1,655,600	$ 727,000	$ 928,600

	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 $33,000 and $29,000 for the three months ended December 31, 2011 and 2010, respectively and $61,300 and $58,400 for the six months ended December 31, 2011 and 2010, respectively. As of December 31, 2011, estimated future amortization expense related to intangible assets is $57,100 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 $439,000 thereafter.

10. 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, (3.36% at December 31, 2011) 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. As of December 31, 2011, $60,000 was outstanding under the line. No amounts were outstanding at June 30, 2011.

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11. 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 December 31, 2011 the current and long-term portions of the note were $74,600 and $143,200, respectively.

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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, the ability to develop, protect and market technological improvements in bioprocessing, 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 $144,300 to $763,500 as of December 31, 2011 from $907,800 as of June 30, 2011.

Net cash provided by operating activities was $187,200 for the six months ended December 31, 2011 as compared to $868,300 for the comparable six month period in 2010, due mainly to higher inventory balances, and lower income generated during the current six month period, partially offset by advances from customers of Altamira with respect to their orders and an increase in accounts payable. Cash used in investing activities was $329,000 for the six month period ended December 31, 2011 compared to $210,100 for the six month period ended December 31, 2010, the increase primarily due to the acquisition by SBI of intangible assets. Cash used in financing activities was $2,500 for the six month period ended December 31, 2011 compared to $107,700 for the six month period ended December 31, 2010 due to a $.04 per share lower dividend declared and paid this year and borrowings under the bank's line of credit.

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 $352,000 to $3,372,000 as of December 31, 2011 from working capital of $3,724,000 at June 30, 2011, mainly due to 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 $78,500 for the three month period ended December 31, 2011 compared to income before income taxes of $272,600 for the comparative period last year, primarily as a result of lower income for the Benchtop Laboratory Equipment and the losses for the Catalyst Research Instruments operations and the new Bioprocessing Systems Operations. For the comparable six month period ended December 31, 2011 and December 31, 2010, income before income taxes was significantly lower - $5,500 compared to $275,800, also primarily due to lower income for the Benchtop Laboratory Equipment Operations, increased loss for the Catalyst Research Instruments Operations and the loss for the new Bioprocessing Systems Operations.

As previously reported, during the three month period ended December 31, 2011, the Company acquired substantially all the assets, consisting principally of licenses and sublicenses of a privately held company with respect to bioprocessing products and systems under patents held by UMBC, and consequently, the results for the quarter reflect the expenses incurred to complete the acquisition and expenses related to that business segment, mostly in the form of research and development and amortization related to the newly acquired intangible assets. No representation can be made that the new operation will produce material revenues to at least offset the related expenses to be incurred.

The Three Months Ended December 31, 2011 Compared With the Three Months Ended December 31, 2010

Net sales for the three months ended December 31, 2011 decreased by $833,900 (41.0%) to $1,197,600 from $2,031,500 for the three months ended December 31, 2010 as a result of decreases of $697,500 in catalyst research instrument sales and $136,400 in laboratory equipment sales, the latter principally from decreased orders from U.S. customers. Sales of the benchtop laboratory equipment products generally are pursuant to many small purchase 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 operation did not generate any sales revenue during the period. The backlog of orders for catalyst research instruments was $995,000 as of December 31, 2011, all of which are anticipated to be delivered by fiscal year end; the back log as of December 31, 2010 was $283,000.

The gross profit percentage for the three months ended December 31, 2011 decreased to 40.9% compared to 42.8% due to higher material costs and engineering costs incurred for benchtop laboratory equipment product improvements.

General and administrative ("G&A") expenses for the three month comparative periods ended December 31, 2011 and December 31, 2010 increased by $24,800 (8.0%) to $335,100 from $310,300 primarily as a result of expenses related to the asset acquisition.

Selling expenses for the three months ended December 31, 2011 decreased $42,800 (21.1%) to $160,100 from $202,900 for the three months ended December 31, 2010, primarily the result of lower commissions for the Catalyst Research Instruments Operations due to lower sales.

Research and development expenses for the three months ended December 31, 2011 decreased $11,200 (12.5%) to $78,700 from $89,900 for the three months ended December 31, 2010, primarily the result of a reduction in new product development activity by the both Company's Benchtop Laboratory Equipment and Catalyst Research Instrument Operations.

Interest and other income net for the three months ended December 31, 2011 decreased $1,400 to $5,000 from $6,400 for the three months ended December 31, 2010 due to lower cash balances and interest rates.

As a result of the loss for the three months ended December 31, 2011, the Company recorded an income tax benefit of $23,200 compared to income tax expense of $83,000 for the three months ended December 31, 2010.

As a result of the foregoing, the net loss for the three months ended December 31, 2011 was $55,300, compared to net income of $189,600 for the three months ended December 31, 2010.

The Six Months Ended December 31, 2011 Compared With the Six Months Ended December 31, 2010

Net sales for the six months ended December 31, 2011 decreased by $548,400 (16.7%) to $2,738,500 compared to $3,286,900 for the six months ended December 31, 2010, due to decreases of $465,000 in catalyst research instrument sales and $83,400 in benchtop laboratory equipment sales, the latter reflecting for the segment a decrease in orders from U.S. customers, which were partially offset by an increase in foreign sales. 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 $995,000 as of December 31, 2011, all of which are anticipated to be delivered by fiscal year end; the backlog as of December 31, 2010 was $283,000.

The gross profit percentage for the six months ended December 31, 2011 decreased to 40.0% compared to 41.9% due to higher material costs and engineering costs incurred for benchtop laboratory equipment product improvements.

G&A expenses increased by $29,100 (4.9%) to $626,100 for the six months ended December 31, 2011 from $597,000 for the comparable period last year, primarily the result of expenses related to the asset acquisition by SBI. Selling expenses for the six months ended December 31, 2011 increased slightly by $5,700 (1.7%) to $349,000 from $343,300 for the six months ended December 31, 2010. The Benchtop Laboratory Equipment Operations incurred higher selling expenses due to its new European sales consultant, which was partially offset by the reduction in sales commissions incurred by the Catalyst Research Instruments Operations.

Research and development expenses for the six months ended December 31, 2011 decreased $51,900 (29.3%) to $125,500 compared to $177,400 for the six months ended December 31, 2010, due to reduced new product development activity by the Company's Benchtop Laboratory Equipment and Catalyst Research Instruments Operations.

Interest and other income, net for the six month period ended December 31, 2011 decreased by $3,800 to $11,800 from $15,600 for the six month period ended December 31, 2010, mainly due to lower cash balances and lower interest rates.

Income tax expense for the six month period ended December 31, 2011 of $1,500 compared to $84,000 for the comparable period of the prior fiscal year reflects the substantially lower income.

As a result of the foregoing, net income for the six months ended December 31, 2011 was $4,000 compared to $191,800 for the six months ended December 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 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 August 9, 2011, related to the death of a member of the Board of Directors.

Report dated September 14, 2011, related to cash dividend declaration.

Reports dated November 17, 2011, and November 21, 2011 related to the recent asset acquisition by Scientific Bioprocessing, Inc.

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: February 14, 2012