

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

FORM 10-K

(Mark One)

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

For the fiscal year ended  June 30, 2015

TRANSITION REPORT PURSUANT TO 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 in Its Charter)

Delaware   
(State or Other Jurisdiction of  
Incorporation or Organization)

04-2217279   
(I.R.S. Employer  
Identification No.)

80 Orville Drive, Suite 102, Bohemia, New York   
(Address of principal executive offices)

11716   
(Zip Code)

Registrant's telephone number, including area code  (631) 567-4700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
<u> None </u>	<u> None </u>

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

**Common Stock, par value \$.05 per share**   
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405  
of the Securities Act. Yes [ ] No [ x ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or  
Section 15(d) of the Act. Yes [ ] No [ x ]

Indicate by check mark whether the registrant(1) has filed all reports required to be filed by  
Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or  
for such shorter period that the registrant was required to file such reports. Yes [ x ] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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   
(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 Act) Yes  No

The aggregate market value of the voting stock held by non-affiliates computed by reference to the average bid and asked prices of such stock, as of September 4, 2015 is \$2,402,500.

The number of shares outstanding of the registrant's common stock, par value \$.05 per share ("Common Stock") as of September 4, 2015 is 1,489,112 shares.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

None.

# SCIENTIFIC INDUSTRIES, INC.

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Forward Looking Statements. The Company and its representatives may from time to time make written or oral forward-looking statements with respect to the Company's annual or long-term goals, including statements contained in its filings with the Securities and Exchange Commission and in its reports to stockholders.

The words or phrases "will likely result," "will be," "will," "are expected to," "will continue to," "is anticipated," "estimate," "project" or similar expressions identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. Readers are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

## PART I

### Item 1. Business.

General. Incorporated in 1954, Scientific Industries, Inc., a Delaware corporation (which along with its subsidiaries, the "Company") is engaged in the design, manufacture, and marketing of standard benchtop laboratory equipment ("Benchtop Laboratory Equipment"), customized catalyst research instruments ("Catalyst Research Instruments"), under its wholly-owned subsidiary, Altamira Instruments, Inc., ("Altamira") and through its wholly-owned subsidiary, Scientific Bioprocessing, Inc., ("SBI"), the design and development of bioprocessing systems and products ("Bioprocessing Systems"). The Company's products are used primarily for research purposes by universities, pharmaceutical companies, pharmacies, national laboratories, medical device manufacturers, petrochemical companies and other industries performing laboratory-scale research.

Operating Segments. The Company views its operations as three segments: the manufacture and marketing of standard Benchtop Laboratory Equipment for research in university, pharmacy and industrial laboratories sold primarily through laboratory equipment distributors and online; the manufacture and marketing of custom-made Catalyst Research Instruments for universities, government laboratories, and chemical and petrochemical companies; and the production, marketing and sublicensing of bioprocessing systems and products for research in university and industrial laboratories. For certain financial information regarding the Company's operating segments, see Note 3 to the consolidated financial statements included under Item 8.

#### Products.

*Benchtop Laboratory Equipment.* The Company's Benchtop Laboratory Equipment products consist of mixers and shakers, rotators/rockers, refrigerated and shaking incubators, and magnetic stirrers sold under the "Genie™" brand, and pharmacy and laboratory balances, force gauges, and moisture analyzers under the "Torbal®" brand. Sales of the Company's principal product, the Vortex-Genie® 2 Mixer, excluding accessories, represented approximately 34% and 41% of the Company's total net revenues for each of the fiscal years ended June 30, 2015 ("fiscal 2015") and June 30, 2014 ("fiscal 2014"), and 50% and 59%, of the segment's sales for fiscal 2015 and fiscal 2014, respectively.

The vortex mixer is used to mix the contents of test tubes, beakers, and other various containers by placing such containers on a rotating cup or other attachments which cause the contents to be mixed at varying speeds.

The Company's additional mixers and shakers include a high speed touch mixer; a mixer with an integral timer, a patented cell disruptor; microplate mixers, two vortex mixers incorporating digital control and display; a large capacity multi-vessel vortex mixer and shaker, and a large capacity orbital shaker.

The Company also offers various benchtop multi-purpose rotators and rockers, designed to rotate and rock a wide variety of containers, and a refrigerated incubator and an incubator shaker, both of which are multi-functional benchtop environmental chambers designed to perform various shaking and stirring functions under controlled environmental conditions.

Its line of magnetic stirrers include a patented high/low programmable magnetic stirrer; a four-place high/low programmable magnetic stirrer; a large volume magnetic stirrer available in analog and digital versions; and a four-place general purpose stirrer also available in analog and digital versions.

The Company's Torbal brand line of products include pharmacy, laboratory, and industrial digital scales, mechanical balances, moisture analyzers, and force gauges resulting from an acquisition in February 2014 (described in detail in Note 2 to the consolidated financial statements included under Item 8).

*Catalyst Research Instruments.* The Catalyst Research Instrument products are offered through the Company's subsidiary, Altamira. Its flagship product is the AMI-200™, which is used to perform traditional catalyst characterization experiments on an unattended basis. The product also features a stand-alone personal computer to control the instrument and incorporates proprietary LabVIEW®-based software. The Company's AMI-300™ Catalyst Characterization Instrument incorporates a sophisticated data handling package and is designed to perform dynamic temperature-programmed catalyst characterization experiments. All AMI model instruments are designed or adapted to a customer's individual requirements.

Its other Catalyst Research Instrument products include reactor systems, high throughput systems and micro-activity reactors, including the Company's BenchCAT™ custom reactor systems. They are available with single and multiple reactor paths and with reactor temperatures up to 1200 degrees Celsius. The systems feature multiple gas flows, are available in gas and gas/liquid configurations, and feature one or more stand-alone personal computers with the LabVIEW®-based control software.

*Bioprocessing Systems.* The Company, through SBI, is engaged in the design and development of bioprocessing systems which the Company expects to begin marketing during the fiscal year ending June 30, 2016, principally microreactor systems using disposable sensors for vessels with volumes ranging from 250 milliliter to five liters. In addition, the Company sublicenses the patents and technology it holds exclusively under a license with the University of Maryland, Baltimore County, ("UMBC"), for which it receives royalties.

Product Development. The Company designs and develops substantially all of its products. Company personnel formulate plans and concepts for new products and improvements or modifications of existing products. The Company engages outside consultants to augment its capabilities in areas such as industrial and electronics design.

Major Customers. Sales, principally of the Vortex-Genie 2 Mixer, to two customers, represented for fiscal 2015 and fiscal 2014, 12% and 13% of total revenues, and 17% and 19% of Benchtop Laboratory Equipment product sales. Sales of Catalyst Research Instrument products are generally pursuant to a few large orders amounting on average to over \$100,000 to a limited number of customers. In fiscal 2015, sales to one customer, accounted for 12% of the segment's sales (4% of total revenues). In fiscal 2014, sales to two customers, accounted for an aggregate of 45% of the segment's sales (13% of the total revenues).

#### Marketing.

*Benchtop Laboratory Equipment.* The Company's Benchtop Laboratory Equipment products sold under the "Genie" brand are generally distributed and marketed through an established network of domestic and overseas laboratory equipment distributors, who sell the Company's products through printed catalogs, websites and sales force. The Company's "Torbal" brand products are marketed

primarily online via its websites and sold online and on a direct basis, with only a few distributors. The Company also markets products through attendance at industry trade shows, trade publication advertising, brochures and catalogs, the Company's websites, one sales manager and one director of marketing in the U.S., and a consultant in Europe.

In general, due to the reliance on sales through the catalog distribution system, it takes two to three years for a new benchtop laboratory equipment product to begin generating meaningful sales.

*Catalyst Research Instruments.* The Company's Catalyst Research Instruments are sold directly worldwide to universities, government laboratories, and chemical and petrochemical companies through its sales personnel and independent representatives engaged on a commission basis. Its marketing efforts include attendance at various trade shows, Altamira's website, outside sales representatives, and printed materials.

*Bioprocessing Systems.* The Company's Bioprocessing Systems products, are currently under development and the Company expects to begin marketing during the fiscal year ending June 30, 2016, and will be offered both directly and through distribution worldwide to university, industrial, and government laboratories. It is anticipated that the related marketing efforts will mainly comprise attendance at various trade shows, publications, website, and online marketing.

Assembly and Production. The Company has an operating facility in Bohemia, New York from which its Benchtop Laboratory Equipment Operations are conducted and one in Pittsburgh, Pennsylvania from which its Catalyst Research Instruments Operations are conducted. The Company also has a small sales and marketing office in Oradell, New Jersey related to its Torbal division. The Company's production operations principally involve assembly of components supplied by various domestic and international independent suppliers. The Company has not commenced production of bioprocessing products, but anticipates that its current facilities will be adequate for such purpose.

#### Patents, Trademarks, and Licenses.

The Company holds several United States patents relating to its products; a patent which expires in July 2016 on the Roto-Shake Genie®; a patent which expires in November 2022 on the MagStir Genie®, MultiMagStir Genie®, and Enviro-Genie®, and a patent which expires in January 2029 on a biocompatible bag with integral sensors. The Company has several patent applications pending. The Company does not anticipate, although it cannot provide assurance any material adverse effect on its operations following the expiration of the patents.

The Company has various proprietary trademarks, including AMI™, BenchCAT™, BioGenie®, Cellphase®, Cellstation®, Disruptor Beads™, Disruptor Genie®, Enviro-Genie®, Genie™, Incubator Genie™, MagStir Genie®, MegaMag Genie®, MicroPlate Genie®, MultiMagStir Genie®, Multi-MicroPlate Genie®, Orbital-Genie®, QuadMag Genie®, Rotator Genie®, Roto-Shake Genie®, Torbal®, TurboMix™, and Vortex-Genie®, each of which it considers important to the success of the related product. The Company also has several trademark applications pending. No representation can be made that any application will be granted or as to the protection that any existing or future trademark may provide.

The Company has several licensing agreements for technology and patents used in the Company's business, including an exclusive license from UMBC with respect to rights and know-how under a patent held by UMBC related to disposable sensor technology, which the Company further sublicenses on an exclusive basis to a German company, and non-exclusive rights held by the Company as it relates to the use of the technology with vessels of sizes ranging from 250 milliliters to 5 liters. The Company also holds a license as to the technology related to its patent for the Roto-Shake Genie. Total license fees paid by the Company under all its licenses for fiscal 2015 and fiscal 2014 amounted to \$124,100 and \$107,900, respectively.

Foreign Sales. The Company's sales to overseas customers, principally in Asia and Europe, accounted for approximately 50% and 51% of the Company's net revenues for fiscal 2015 and fiscal 2014, respectively. Payments are in United States dollars and are therefore not subject to risks of currency fluctuation, foreign duties and customs.

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

Backlog. The amount of backlog for Benchtop Laboratory Equipment products is not a significant factor because this line of products is comprised of standard catalog items requiring lead times which usually are not longer than two weeks. There is no backlog for Bioprocessing Systems. The backlog for Catalyst Research Instrument products as of June 30, 2015 was \$2,570,400, of which approximately 90% pertains to an order for delivery to a customer in China, all of which is expected to be filled by June 30, 2016, although no assurance can be given, as compared to a backlog of \$453,000 as of June 30, 2014, all of which was filled in fiscal 2015.

Competition. Most of the Company's principal competitors are substantially larger and have greater financial, production and marketing resources than the Company. Competition is generally based upon technical specifications, price, and product recognition and acceptance. The Company's main competition for its Benchtop Laboratory Equipment products derives from private label brand mixers offered by laboratory equipment distributors in the United States and Europe. However, the Company believes that despite its small size, it is a major market participant in the global vortex mixer market.

The Company's major competitors for its Genie brand Benchtop Laboratory Equipment are Henry Troemner, Inc. (a private label supplier to the two largest laboratory equipment distributors in the U.S. and Europe), IKA-Werke GmbH & Co. KG, a German company, Benchmark Scientific, Inc., (a United States importer of China-produced products), and Heidolph Instruments GmbH, a German company. The Company's main competitors for its Torbal brand products are Ohaus Corporation, an American company, A&D Company Ltd., a Japanese company, and Adam Equipment Co., Ltd., a British company.

The primary competition for the Company's Catalyst Research Instrument products is in the form of instruments produced internally by research laboratory staffs of potential customers. Major competitors in the United States include Quantachrome Instruments, and Micromeritics Instrument Corporation, each a privately-held company. The Company sells instruments to Quantachrome under an OEM agreement.

The potential major competitors for the Company's Bioprocessing Systems are Applikon Biotechnology, B.V. (Netherlands), DASGIP Technology GmbH (Germany), and PreSens - Precision Sensing GmbH (Germany).

Research and Development. The Company incurred research and development expenses, the majority of which related to its Benchtop Laboratory Equipment products, of \$392,200 during fiscal 2015 compared to \$426,700 during fiscal 2014. The Company expects research and development expenditures in the fiscal year ending June 30, 2016 will be at approximately the same level as those in fiscal 2015.

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

**Employees.** As of September 4, 2015, the Company employed 33 persons (24 for the Benchtop Laboratory Equipment Operations and 9 for the Catalyst Research Instruments Operations) of whom 30 were full-time, including its three executive officers. All activities of the Bioprocessing Systems Operations are being performed by employees of the other two operations and consultants. None of the Company's employees are represented by any union.

**Available Information.** The Company's Annual Report to Stockholders for fiscal 2015, includes its Annual Report on Form 10-K. The Annual Report will be mailed to security holders together with the Company's proxy material and solicitation as it relates to the Company's 2015 Annual Meeting of Stockholders. All the Company's reports, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other information filed with, or furnished to, the Securities and Exchange Commission (the "SEC" or the "Commission"), including amendments to such reports, are available on the SEC's website that contains such reports, proxy and information statements, and other information regarding companies that file electronically with the Commission. This information is available at [www.sec.gov](http://www.sec.gov). In addition, all the Company's public filings can be accessed through the Company's website at <http://scientificindustries.com/secfilings.html>.

## **Item 1A. Risk Factors.**

***In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, important risk factors are identified below that could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to such future periods in any current statements. The Company undertakes no obligation to publicly revise any forward-looking announcements to reflect future events or circumstances.***

### **Dependence on Major Customers**

Although the Company does not depend on any one single major customer, sales to two Benchtop Laboratory Equipment Operations customers accounted for a combined aggregate of 12% and 13% of its total sales for fiscal 2015 and fiscal 2014, respectively.

No representation can be made that the Company will be successful in continuing to retain either or both customers, or not suffer a material reduction in sales either which could have an adverse effect on future operating results of the Company.

### **One Benchtop Laboratory Equipment Product Accounts for a Substantial Portion of Revenues**

The Company has a limited number of Benchtop Laboratory Equipment products with one product, the Vortex-Genie 2 Mixer, accounting for approximately 50% and 59% of Benchtop Laboratory Equipment sales, for fiscal 2015 and fiscal 2014, respectively, and 34% and 41% of total revenues for fiscal 2015 and fiscal 2014, respectively.

### **The Company is a Small Participant in Each of the Industries in Which It Operates**

The Benchtop Laboratory Equipment industry is a highly competitive mature industry. Although the Vortex-Genie 2 Mixer has been widely accepted, the annual sales of the Benchtop Laboratory Equipment products (\$5,410,500 for fiscal 2015 and \$4,679,100 for fiscal 2014) are significantly lower than the annual sales of many of its competitors in the industry. The principal competitors are substantially larger with much greater financial, production and marketing resources than the Company. There are constant new entrants into the vortex mixer market, including those offering products imported from China, which the Company is unable to compete on price. The Torbal line of products is also a small market participant in its industry with significant competition from well known brands.



The production and sale of Catalyst Research Instruments products is highly competitive. Altamira's competitors include several companies with greater resources and many laboratories which produce their own instruments.

The Company's Bioprocessing Systems operation is a participant in the fast-growing laboratory-scale sector of the larger bioprocessing products industry, which is dominated by several large companies with much greater resources than the Company.

### **The Company's Ability to Grow and Compete Effectively Depends In Part on Its Ability to Develop and Effectively Market New Products**

Over the past ten years, the Company has continuously invested in the development and marketing of new Benchtop Laboratory Equipment products with a view to increasing revenues and reducing the Company's dependence on the Vortex-Genie 2 Mixer, including the acquisition of the Torbal line of products in fiscal 2014. Gross revenues derived from such other Benchtop Laboratory Equipment products amounted to \$2,716,100 for fiscal 2015 and \$1,909,300, for fiscal 2014. The segment's ability to compete will depend upon the Company's success in continuing to develop and market new laboratory equipment as to which no assurance can be given.

The Company relies heavily on distributors and their catalogs to market the majority of its Benchtop Laboratory Equipment products, as is customary in the industry. Accordingly, sales of new products are heavily dependent on the distributors' decision to include and retain a new product in the distributors' catalogs and on their websites. It may be at least 24 to 36 months between the completion of development of a product and the distribution of the catalog in which it is first offered; furthermore, not all distributors feature the Company's products in their catalogs.

The Company's line of Catalyst Research Instruments consists of only a few products. The ability of the Company to compete in this segment and expand the line will depend on its ability to make engineering improvements to existing products and develop and add new products incorporating more current technology. Over the last few years the Company has introduced two new catalyst research products to increase its product offerings and has continuously sought to expand its outside sales force.

The success of the Company's new Bioprocessing Systems operation will be heavily dependent on its ability to develop and market new products. New products are being or are to be developed by the Company's employees and outside consultants. Such products are of a complex nature of which the Company has limited or no prior experience and are taking longer to develop than previously anticipated. In addition, they will be subject to beta testing by end users, which could result in design and/or production changes which could further delay development time. The sale and marketing of the products, at least initially, will be through the Company's attendance at trade shows, website, online marketing, and a few select distributors.

No assurance can be given that the amounts allocated by the Company for its new product development and sales and marketing programs will be sufficient to develop additional commercially feasible products which will be accepted by the marketplace, or that any distributor will include or retain any particular product in its catalogs and websites.

### **The Company May Be Subject to General Economic, Political, and Social Factors**

Orders for the Company's products, particularly its Catalyst Research Instruments products, depend in part, on the customer's ability to secure funds to finance purchases, especially government funding. Availability of funds can be affected by budgetary constraints. Factors including a general economic recession, the European crisis, slowdown in Asian economies, or a major terrorist attack would likely have a negative impact on the availability of funding including government or academic grants to potential customers.

The Company's ability to secure new Catalyst Research Instruments orders can also be affected by changes in domestic and international policies pertaining to energy and the environment, which could affect funding of potential customers.

### **The Company is Heavily Dependent on Outside Suppliers for the Components of Its Products**

The Company purchases all its components from outside suppliers and relies on a few suppliers for some crucial Benchtop Laboratory Equipment components, mostly due to cost considerations. Most of the Company's suppliers, including United States vendors, produce the components directly or indirectly in overseas factories, and orders are subject to long lead times and potential other risks related to production in a foreign country. To minimize the risk of supply shortages, the Company keeps more than normal quantities on hand of the critical components that cannot easily be procured or, where feasible and cost effective, purchases are made from more than one supplier.

However, a shortage of such components could halt production and have a material negative effect on the Company's operations.

### **The Company's Ability to Compete Depends in Part on Its Ability To Secure and Maintain Proprietary Rights to its Products**

The Company has no patent protection for its principal Benchtop Laboratory Equipment product, the Vortex-Genie 2 Mixer, the Torbal balances, or for its Catalyst Research products and limited patent protection on a few other Benchtop Laboratory Equipment products. There are several competitive products available in the marketplace possessing similar technical specifications and design.

As part of the asset purchase by SBI during fiscal 2012, the Company acquired the rights to various patents for bioprocessing products which it licenses from UMBC.

There can be no assurance that any patent issued, licensed or sublicensed to the Company provides or will provide the Company with competitive advantages or will not be challenged by third parties. Furthermore, there can be no assurance that others will not independently develop similar products or design around the patents. Any of the foregoing activities could have a material adverse effect on the Company. Moreover, the enforcement by the Company of its patent or license rights may require substantial litigation costs.

### **The Company Has Limited Management Resources**

The loss of the services of any of Ms. Helena Santos, the Company's Chief Executive and Financial Officer and President, Mr. Robert Nichols, the Company's Executive Vice President, Mr. Brookman March, President of Altamira, and Mr. Karl Nowosielski, Torbal Division President or any material expansion of the Company's operations could place a significant additional strain on the Company's limited management resources and could be materially adverse to the Company's operating results and financial condition.

### **The Common Stock of the Company is Thinly Traded and is Subject to Volatility**

As of September 4, 2015, there were 1,489,112 shares of Common Stock of the Company outstanding, of which 364,223 shares (25%) were held by the directors and officers of the Company. The Common Stock of the Company is traded on the Over-the-Counter Bulletin Board and, historically, has been thinly traded. There have been a number of trading days during fiscal 2015 on which no trades of the Company's Common Stock were reported. Accordingly, the market price for the Common Stock is subject to great volatility.

## Item 2. Properties.

The Company's executive offices and principal manufacturing facility for its Benchtop Laboratory Equipment Operations comprise approximately 19,000 square feet, are located in Bohemia, New York and held pursuant to a lease which expires in February 2025. The Company's Catalyst Research Instruments Operations are conducted from an approximately 9,000 square foot facility in Pittsburgh, Pennsylvania under a lease expiring in November 2017. The Bioprocessing Systems operation does not occupy a separate physical location. The Company has a 1,200 square foot facility in Oradell, New Jersey from where it conducts its sales and marketing functions, primarily for the Torbal division of the Benchtop Laboratory Equipment Operations. See Note 11 to the Financial Statements in Item 8. The leased facilities are suitable and adequate for each of the Company's operations. In the opinion of management, all properties are adequately covered by insurance.

## Item 3. Legal Proceedings.

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

## Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2015.

## PART II

## Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company's Common Stock is traded in the over-the-counter market. The following table sets forth the low and high bid quotations for each quarter of fiscal 2014 and fiscal 2015, as reported by the National Association of Securities Dealers, Inc. Electronic Bulletin Board. Such quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions:

<u>For Fiscal Quarter Ended:</u>	<u>Low Bid</u>	<u>High Bid</u>
09/30/13	3.21	3.36
12/31/13	3.65	4.00
03/31/14	3.76	4.80
06/30/14	3.10	3.89
09/30/14	3.00	3.25
12/31/14	2.61	3.30
03/31/15	2.50	3.00
06/30/15	2.50	2.95

- (a) As of September 4, 2015, there were 366 record holders of the Company's Common Stock.
- (b) On November 4, 2013, the Company paid a cash dividend of \$.08 per share to stockholders of record on October 11, 2013. A dividend was not declared or paid during fiscal 2015. The Company is not subject to any agreement which prohibits or restricts the Company from paying dividends on its Common Stock.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking statements. *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, success of marketing strategy, success of expansion efforts, impact of competition, adverse economic conditions, and other factors affecting the Company's business that are beyond the Company's control, which are discussed elsewhere in this report. Consequently, no forward-looking statement can be guaranteed. The Company undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's financial statements and the related notes included elsewhere in this report.*

Overview. The Company incurred a loss before income tax benefit of \$7,300 for fiscal 2015 compared to a loss before income tax benefit of \$107,000 for fiscal 2014. The results included non-cash amounts for depreciation and amortization of \$434,800 for fiscal 2015 and \$262,800 for fiscal 2014, the majority of which relates to amortization of the intangible assets related to the Torbal division, and to a lesser extent the SBI intangible assets.

Fiscal 2015 benefitted from the profits generated by the Catalyst Research Instruments Operations which resulted from increased sales, and a full year of Torbal brand product sales by the Benchtop Laboratory Equipment Operations, and the absence of acquisition costs related to the Torbal acquisition that were incurred during fiscal 2014. However the Bioprocessing Systems Operations incurred a higher loss this year compared to last year which included a sale of a prototype.

Results of Operations. Net sales for fiscal 2015 increased \$1,055,200 (15.5%) to \$7,848,400 from \$6,793,200 for fiscal 2014, reflecting increases of \$392,600 (20.4%) in net sales of catalyst research instruments, and \$731,400 (15.6%) in benchtop laboratory equipment sales, partially offset by a decrease of \$68,800 (36.0%) in the Bioprocessing Systems Operations revenues. The benchtop laboratory equipment sales reflected \$1,120,500 of Torbal brand product sales for fiscal 2015, compared to \$412,100 for the last four months in fiscal 2014.

Sales of catalyst research instruments are comprised of a small number of large orders, historically averaging more than \$100,000 each. The higher sales of catalyst research instruments resulted from a higher amount of lower value orders. As of June 30, 2015, the order backlog for catalyst research instruments was \$2,570,400, due to a substantial order expected to be shipped during fiscal year ending June 30, 2016, compared to \$453,000 as of June 30, 2014.

Revenues derived from the Bioprocessing Systems Operations consist of net royalties received from sublicensees. The Company expects to start launching new products currently under development during the fiscal year ending June 30, 2016, although no assurance can be given.

The gross profit percentage for fiscal 2015 was 39.8% compared to 38.5% for fiscal 2014 due mainly to sales mix.

General and administrative expenses for fiscal 2015 increased \$187,500 (12.4%) to \$1,700,900 compared to \$1,513,400 for fiscal 2014, primarily due to the expenses of the new Torbal division of the Benchtop Laboratory Equipment Operations, including substantial amounts of amortization expense of the related intangible assets.

Selling expenses for fiscal 2015 increased \$252,400 (31.8%) to \$1,045,300 from \$792,900 from for fiscal 2014 due to increased expenses incurred by the Benchtop Laboratory Equipment Operations for the Torbal division, and higher outside sales commissions for the Catalyst Research Instruments Operations.

Research and development expenses decreased by \$34,500 (8.1%) to \$392,200 for fiscal 2015 compared to \$426,700 for fiscal 2014, primarily due to decreased new product development costs by the Benchtop Laboratory Equipment Operations as a result of the release of a new product.

Total other income decreased by \$2,200 (18.8%) to \$9,500 for fiscal 2015 from \$11,700 for fiscal 2014.

Income tax benefit of \$16,000 for fiscal 2015 and \$31,700 for fiscal 2014 resulted from the availability of carryover research and development activities credits and greater amortization of intangible assets for financial statement purposes compared to tax amortization.

As a result of the foregoing, the Company recorded net income for fiscal 2015 of \$8,700, compared to a net loss of \$75,300 for fiscal 2014.

Liquidity and Capital Resources. Cash and cash equivalents decreased by \$11,700 to \$482,000 as of June 30, 2015 from \$493,700 as of June 30, 2014.

Net cash provided by operating activities increased by \$112,400 to \$147,400 for fiscal 2015 as compared to \$35,000 for fiscal 2014, primarily due to increased amounts for depreciation and amortization related to the asset acquisition in February 2014. The fiscal 2015 cash provided by operating activities was negatively impacted by increased accounts receivable balances and lower accounts payable, partially offset by lower inventory balances. Cash used in investing activities was \$250,700 for fiscal 2015 compared to cash used of \$259,000 for fiscal 2014. The fiscal 2015 included restricted cash of \$300,000, while the prior year reflected cash used of \$700,000 in the asset purchase of the Torbal business. Financing activities provided net cash of \$91,600 for fiscal 2015 compared to cash used of \$209,600 in fiscal 2014, mainly due to the cash received from demand notes, and the absence of a dividend during fiscal 2015, partially offset by the higher contingent consideration paid during the year.

The Company's working capital increased by \$268,900 to \$3,411,300 as of June 30, 2015 compared to \$3,142,400 as of June 30, 2014, mainly due to improved operating results excluding depreciation and amortization.

The Company has two new lines of credit with First National Bank of Pennsylvania – an Export-Related Revolving Line of Credit which is guaranteed by the Export-Import Bank of the United States which provides for export-related borrowings of up to \$998,500 bearing interest at prime plus 2% and an annual fee of 1.75% and a second one-year Demand Line of Credit which provides for borrowings of up to \$300,000 for regular working capital needs, bearing interest at prime, currently 3.25%, which is collateralized by a cash collateral account of \$300,000 which will be released upon certain financial criteria being met or the line being paid and terminated, whichever ever comes first. Advances on both lines are also secured by a pledge of the Company's assets including inventory, accounts, chattel paper, equipment and general intangibles of the Company. As of June 30, 2015 no borrowings were made under either line.

Management believes that the Company will be able to meet, absent a material capital expenditure not currently anticipated, its cash flow needs during the 12 months ending June 30, 2016 from its available financial resources including the lines of credit, its cash and investment securities, and operations.

Capital Expenditures. During fiscal 2015, the Company incurred \$67,300 in capital expenditures. The Company expects that based on its current operations, its capital expenditures will not be materially higher for the fiscal year ending June 30, 2016.

Off-Balance Sheet Arrangements. None.

Item 8. Financial Statements and Supplementary Data.

The Financial Statements required by this item are attached hereto on pages F1-F24.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

**Evaluation of Disclosure Controls and Procedures.** As of the end of the period covered by this Annual Report on Form 10-K, 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.

**Management's Annual Report on Internal Control Over Financial Reporting.** Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting, as such term is defined in Securities Exchange Act Rule 13a-15(f) and 15d-15(f). The Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Chief Executive and Financial Officer of the Company conducted an evaluation of the effectiveness of the Company's internal controls over financial reporting as of June 30, 2015 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework.

Based on the assessment of the Company's Chief Executive and Financial Officer of the Company, it was concluded that as of June 30, 2015, the Company's internal controls over financial reporting were effective based on these criteria.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

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

*Inherent Limitations on Effectiveness of Controls.* The Company's management, including its Chief Executive and Financial Officer, believes that its disclosure controls and procedures and internal controls over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, management does not expect that its disclosure controls and procedures or its internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any,

have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

**Item 9B. Other Information.**

Not applicable.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance.**

**Directors**

The Company has the following five Directors:

*Joseph G. Cremonese* (age 79), a Director since November 2002 and Chairman of the Board since February 2006, has been, through his affiliate, a marketing consultant to the Company since 1996. Mr. Cremonese has been since 1991, President of his affiliate, Laboratory Innovation Company, Ltd., which is a vehicle for technology transfer and consulting services for companies, engaged in the production and sale of products for science and biotechnology. Since March 2003, he has been a director of Proteomics, Inc., a producer of recombinant proteins for medical research. Prior to 1991, he had been employed by Fisher Scientific, the largest U.S. distributor of laboratory equipment.

*Roger B. Knowles* (age 90), a Director since 1965, has been retired for the last five years.

*Grace S. Morin* (age 67), a Director since December 4, 2006, had been President, Director and principal stockholder of Altamira Instruments, Inc. from December 2003 until its acquisition in November 2006 by the Company. Ms. Morin had been employed by Altamira to supervise its administrative functions at the Pittsburgh, Pennsylvania facility as a full-time employee through March 31, 2009 and since that date as a part-time consultant. Prior to December 2003, she was a general business consultant for two years, and prior thereto a member of senior management of a designer of gas flow environmental engineered products for approximately four years.

*Helena R. Santos* (age 51), a Director since 2009, has been employed by the Company since 1994, and has served since August 2002 as its President, Chief Executive Officer and Treasurer. She had served as Vice President, Controller from 1997 and as Secretary from May 2001. Ms. Santos was an internal auditor with a major defense contractor from March 1991 to April 1994. She had been previously employed in public accounting.

*James S. Segasture* (age 79), a Director since 1991, has been retired for the last five years.

The Directors are elected to three-year staggered terms. The current terms of the Directors expire at the annual meeting of stockholders of the Company following: the fiscal year ended June 30, 2015 – two directors (Ms. Santos and Mr. Segasture, Class A), the fiscal year ending June 30, 2016 – one director (Ms. Morin, Class B), and the fiscal year ending June 30, 2017 – two directors (Mr. Cremonese and Mr. Knowles, Class C).

## **Board Committees**

The Company's Stock Option Committee administers the Company's 2012 Stock Option Plan. The members of the committee are non-management Directors of the Company – James S. Segasture and Joseph G. Cremonese. The members of the Committee serve at the discretion of the Board. During fiscal 2015 the Stock Option Committee did not hold any meetings.

Grace S. Morin and James S. Segasture are the current members of the Company's Compensation Committee serving at the discretion of the Board. The Committee administers the Company's compensation policies. During fiscal 2015, the Compensation Committee held one meeting.

The Board of Directors acts as the Company's Audit Committee, which in its function as the Committee, held four meetings during fiscal 2015. Ms. Santos, who is not "independent" and Ms. Morin are "financial experts" as defined by the Securities and Exchange Commission.

## **Executive Officers**

See above for the employment history of *Ms. Santos*.

*Robert P. Nichols* (age 54), employed by the Company since February 1998, has served since August 2002 as Executive Vice President. Previously, he had been since May 2001 Vice President, Engineering. Prior to joining the Company, Mr. Nichols was an Engineer Manager with Bay Side Motion Group, a precision motion equipment manufacturer from January 1996 to February 1998.

*Brookman P. March* (age 70) has been Director of Sales and Marketing of Altamira, which has conducted the Catalyst Research Instruments operation since November 30, 2006 and its President since July 2008. He had been Vice President and a Director of Altamira from December 2003 until it was acquired by the Company. Mr. March is the husband of Ms. Morin, a Director of the Company.

*Karl D. Nowosielski* (age 36), is the President of the Torbal division of the Benchtop Laboratory Equipment Operations and Director of Marketing for the Company. He had been until February 2014 Vice President of Fulcrum, Inc. (the seller of the Torbal division assets) since 2004.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

The Company believes that, for fiscal 2015, its officers, directors and 10% stockholders timely complied with all filing requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended.

## **Code of Ethics**

The Company has adopted a code of ethics that applies to the Executive Officers and Directors. A copy of the code of ethics can be found on the Company's website at [www.scientificindustries.com](http://www.scientificindustries.com).

## **Item 11. Executive Compensation.**

Compensation Discussion and Analysis. The Compensation Committee reviews and recommends to the Board of Directors the compensation to be paid to each executive officer. Executive compensation, in all instances except for the compensation for the Chief Executive Officer ("CEO"), is based on recommendations from the CEO. The CEO makes a determination by comparing the performance of each executive being reviewed with objectives established at the beginning of each fiscal year and with objectives established during the business year with regard to the success of the achievement of such objectives and the successful execution of management targets and goals.



With respect to the compensation of the CEO, the Committee considers performance criteria, 50% of which is related to the direction, by the CEO, of the reporting executives, the establishment of executive objectives as components for the successful achievement of Company goals and the successful completion of programs leading to the successful completion of the Business Plan for the Company and 50% is based on the achievement by the Company of its financial and personnel goals tempered by the amount of the income or loss of the Company during the fiscal year.

The compensation at times includes grants of options under its stock option plan to the named executives. Each officer is employed pursuant to a long-term employment agreement, containing terms proposed by the Committee and approved as reasonable by the Board of Directors. The Board is cognizant that as a relatively small company, the Company has limited resources and opportunities with respect to recruiting and retaining key executives. Accordingly, the Company has relied upon long-term employment agreements and grants of stock options to retain qualified personnel.

Compensation for each of its executive officers provided by their employment agreements were based on the foregoing factors and the operating and financial results of the segments under their management.

The following table summarizes all compensation paid by the Company to each of its executive officers for the fiscal years ended June 30, 2015 and 2014.

#### SUMMARY COMPENSATION TABLE

Name and Principal Position (a)	Fiscal Year (b)	Salary (\$) (c)	Bonus (\$) (d)	Stock Awards (\$) (e)	Option Awards (\$) (f)	Non-Equity Incentive Plan Compensation (\$) (g)	Non-Qualified Deferred Compensation Earnings (\$) (h)	Changes in Pension Value and Non-Qualified Deferred Compensation Earnings	All Other Compensation (\$) (i)	Total (\$) (j)
Helena R. Santos, CEO, President, CFO	2015	154,000	0	0	0	0	0	0	6,200(1)	160,200
	2014	150,000	0	0	0	0	0	0	6,000(1)	156,000
Robert P. Nichols, Exec. V. P.	2015	139,000	0	0	1,200(2)	0	0	0	5,600(1)	145,800
	2014	135,000	0	0	500(2)	0	0	0	5,400(1)	140,900
Brookman P. March, Director of Sales and Marketing, and President of Altamira	2015	140,000	0	0	2,800(3)	0	0	0	5,600(1)	148,400
	2014	135,000	0	0	2,500(3)	0	0	0	5,400(1)	142,900
Karl D. Nowosielski, President of Torbal Division and Director of Marketing	2015	140,500	0	0	7,100(4)	0	0	0	5,600(1)	153,200
	2014	45,800(5)	0	0	3,900(4)	0	0	0	0	49,700

(1) The amounts represent the Company's matching contribution under the Company's 401(k) Plans.

(2) The amount represents compensation expense for stock options granted valued utilizing the Black-Scholes-Merton options pricing model, disregarding estimates of forfeitures related to service-based vesting considerations. The fiscal 2014 option was valued at a total of \$3,500 of which \$1,200 was expensed as stock based compensation in fiscal 2015.

(3) The amounts represent compensation expense for the 2014 and 2012 stock options granted valued utilizing the Black-Scholes-Merton options pricing model, disregarding estimates of forfeitures related to service-based vesting considerations. The 2014 option was valued at a total of \$3,500 of which \$1,200 was expensed in fiscal 2015 plus \$1,600 for the 2012 stock option.

(4) The amounts represent compensation expense for the 2015 and 2014 stock options granted in as part of his employment agreement, valued utilizing the Black-Scholes-Merton options pricing model, disregarding estimates of forfeitures related to service-based vesting considerations. The options were valued at a total of \$7,100 and \$3,900, respectively, all of which was expensed as stock based compensation in the respective periods.

(5) Represents salary from February 2014 to the end of fiscal 2014.

**GRANTS OF PLAN-BASED AWARDS IN FISCAL YEAR ENDED JUNE 30, 2015**

Name (a)	Grant Date (b)	Estimated Future Payouts Under Non-Equity Incentive Plan \$ (c)	Estimated Future Payouts Under Equity Incentive Plan \$ (d)	All Other Stock Awards: Number Of Shares Of Stock Or Units (#) (e)	All Other Option Awards: Number Of Securities Underlying Options (#) (f)	Exercise Or Base Price Of Option Awards (\$/Sh) (g)	Grant Date Fair Value of Stock And Option Awards (h)
Karl D. Nowosielski	02/26/15	0	0	0	4,000	2.80	7,100

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Option Awards					
Name (a)	Number of Securities Under- lying Unexercised Options (#) Exercisable (b)	Number of Securities Under- lying Unexercised Options (#) Unexerci- sable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)	Option Exercise Price (\$) (e)	Option Expiration Date (f)
Brookman P. March	5,667	1,333	0	3.50-3.71	05/2022-12/2023
Robert P. Nichols	667	1,333	0	3.50	12/2023
Karl D. Nowosielski	667	5,333	0	2.80-3.67	02/2024-02/2025

### Employment Agreements

In June 2015, The Company entered into employment agreements with Ms. Helena R. Santos and Robert P. Nichols extending their terms of employment to June 30, 2016. The agreements provide for annual base salaries for the fiscal years ending June 30, 2015 and June 30, 2016, for Ms. Santos of \$154,000 and \$157,080 respectively; and for Mr. Nichols of \$139,000 and \$141,780 respectively. Bonuses, if any, are to be awarded at the discretion of the Board of Directors for each of the fiscal years. No bonuses were awarded for fiscal 2015 or fiscal 2014.

In June 2015, the Company entered into an employment agreement with Mr. March extending the term through June 30, 2016. The agreement provides for an annual base salary of \$140,000 and \$142,800 for each of the fiscal years ending June 30, 2015 and 2016. Bonuses, if any, may be awarded at the discretion of the Board of Directors. No bonuses were awarded for fiscal 2015 or fiscal 2014. Mr. March is the husband of Grace S. Morin, a Director of the Company and of Altamira and a former principal stockholder of Altamira.

In February 2014 in conjunction with the acquisition of the Torbal division assets from Fulcrum, Inc., the Company entered into an employment agreement with Mr. Nowosielski providing for his employment through February 2017, which may be extended by mutual consent for another two years. The agreement provided for an annual base salary of \$140,000, subject to increases commencing with the second year based on percentage increases in the Consumer Price Index, plus discretionary bonuses. The agreement also provided for the issuance of 2,000 stock options upon commencement of employment and 4,000, 5,000, and 6,000 stock options in February 2015, 2016, and 2017, respectively, subject to his continued employment. No bonuses have been awarded under the agreement.

Each of the foregoing employment agreements contains confidentiality and non-competition covenants. The employment agreements for Ms. Santos, Mr. March, and Mr. Nowosielski contain termination provisions stipulating that if the Company terminates the employment other than for death, disability, or cause (defined as (i) conviction of a felony or (ii) gross neglect or gross misconduct (including conflict of interest), the Company shall pay severance payments equal to one year's salary at the rate of the compensation at the time of termination, and continue to pay the regular benefits provided by the Company for a period of two years from termination.

## Directors' Compensation and Options

### DIRECTORS' COMPENSATION For the Year Ended June 30, 2015

Name (a)	Fees Earned or Paid in Cash (\$) (b)	Stock Awards (\$) (c)	Option Awards (\$) (d)	Non- Equity Incentive Plan Comp- ensation (\$) (e)	Changes in Pension Value and Non- qualified Deferred Compens- ation Earnings (\$) (f)	Non- qualified Deferred Comp- ensation Earnings (\$) (g)	All Other Comp- ensation (\$) (h)	Total (\$) (i)
Joseph G. Cremonese	29,200	0	0	0	0	0	43,200(1)	72,400
Roger B. Knowles	13,600	0	0	0	0	0	0	13,600
Grace S. Morin	13,600	0	0	0	0	0	4,300(2)	17,900
James S. Segasture	13,600	0	0	0	0	0	0	13,600

(1) Represents amount paid to his affiliate pursuant to a marketing consulting agreement (see Items 12 and 13).

(2) Represents compensation received for her administrative services as a consultant for Altamira (see Items 12 and 13).

The Company pays each Director who is not an employee of the Company or a subsidiary a quarterly retainer fee of \$2,000 and \$1,400 for each meeting attended. In addition, the Company reimburses each Director for out-of-pocket expenses incurred in connection with attendance at board meetings in the amount of \$50 or the Director's itemized expenses, whichever is greater. Mr. Cremonese, as Chairman of the Board receives an additional fee of \$1,300 per month. During fiscal 2015, total director compensation to non-employee Directors aggregated \$117,500, including the consulting fees paid to Mr. Cremonese's affiliate, and to Ms. Morin.

Under the Company's 2002 Stock Option Plan, none of the Directors serving at the time of the adoption of the plan were eligible to receive option grants thereunder. However, Mr. Joseph G. Cremonese who was elected a Director for the first time at the 2002 Annual Meeting of Stockholders, was granted ten-year options on December 1, 2003 to purchase 5,000 shares of the Company's Common Stock at the exercise price of \$1.35 per share; ten-year options on February 20, 2007 to purchase 5,000 shares of the Company's Common Stock at the exercise price of \$3.10 per share; five-year options on September 17, 2009 to purchase 10,000 shares at the exercise price of \$1.88 per share; five-year options on January 7, 2011 to purchase 10,000 shares at the exercise price of \$3.24; five-year options on January 12, 2012 to purchase 10,000 shares at the exercise price of \$3.45 per share, and ten-year options on December 4, 2013 to purchase 5,000 shares at an exercise price of \$3.50 per share. He exercised 20,000 options during fiscal 2015 at prices of \$1.88 and \$3.24 with respect to 10,000 and 10,000 shares, respectively.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The following table sets forth, as of June 30, 2015, the number of shares of Common Stock beneficially owned by (i) each person known to the Company to beneficially own more than 5% of the outstanding shares of Common Stock, (ii) each director of the Company, (iii) each named executive officer of the Company, and (iv) all directors and executive officers as a group. Shares not outstanding but deemed beneficially owned by virtue of the right of any individual to acquire shares within 60 days are treated as outstanding only when determining the amount of and percentage of outstanding shares of Common Stock owned by such individual. Each person has sole voting and investment power with respect to the shares shown, except as noted. Except as indicated in the table, the address for each of the following is c/o Scientific Industries, Inc., 80 Orville Drive, Bohemia, New York 11716.

Name	Amount and Nature of Beneficial Ownership	% of Class
Spectrum Laboratories, Inc. 18617 Broadwick Street Rancho Dominguez, CA 90220	127,986 (1)	8.6%
Fulcrum, Inc. 100 Delawanna Avenue Clifton, NJ 07014	126,449 (2)	8.5%
Lowell A. Kleiman 16 Walnut Street Glen Head, NY 11545	122,581 (3)	8.2%
Joseph G. Cremonese	104,597 (4)	6.9%
Roger B. Knowles	-	-
Grace S. Morin	89,950 (5)	6.0%
James S. Segasture	162,500 (6)	10.9%
Helena R. Santos	15,779	1.1%
Robert P. Nichols	20,397	1.4%
Brookman P. March	89,950 (7)	6.0%
Karl D. Nowosielski	6,000 (8)	0.0%
All directors and executive officers as a group (8 persons)	399,223 (9)	26.2%

- (1) Based on information reported on Form 3 filed with the Securities and Exchange Commission on June 27, 2011.
- (2) Stock issued in connection with the acquisition of the Torbal division assets from Fulcrum, In. on February 26, 2014.
- (3) Based on information reported in his Schedule 13D filed with the Securities and Exchange Commission on January 8, 2015.
- (4) 77,597 shares are owned jointly with his wife, 7,000 shares are owned by his wife, and 20,000 shares are issuable upon exercise of options.
- (5) Includes 7,000 shares issuable upon exercise of options held by her husband, Mr. March.
- (6) Shares owned jointly with his wife.
- (7) Represents 82,950 shares owned by Ms. Morin, his wife and 7,000 shares issuable upon exercise of options.
- (8) Represents shares issuable upon exercise of options.
- (9) Includes 35,000 shares issuable upon exercise of options.

## EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information with respect to Company options, warrants and rights as of June 30, 2015.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (\$) (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity Compensation plans approved by security holders	38,500	3.37	84,500
Equity Compensation plans not approved by security holders	N/A	N/A	N/A
Total	38,500	3.37	84,500

### Item 13. Certain Relationships and Related Transactions, and Director Independence.

Mr. Joseph G. Cremonese, a Director since November 2002, through his affiliate, Laboratory Innovation Company, Ltd., has been providing independent marketing consulting services to the Company since January 1, 2003 pursuant to a consulting agreement expiring December 31, 2015. The agreement currently provides that Mr. Cremonese and his affiliate shall render, at the request of the Company, marketing consulting services for a monthly payment of \$3,600. The agreement contains confidentiality and non-competition covenants. The Company paid fees of \$43,200 and \$41,400 pursuant to the agreement for each of fiscal 2015 and fiscal 2014.

Ms. Grace S. Morin, was elected a Director in December 2006 following the sale of her 90.36% ownership interest in Altamira to the Company in November 2006. Up until March 31, 2009, Ms. Morin had been employed by Altamira as an administrative employee. Since April 1, 2009, she has provided consulting services on a part-time basis pursuant to an agreement expiring December 31, 2015 at the rate of \$85 per hour, resulting in payments of \$4,300 and \$5,700 for fiscal 2015 and fiscal 2014, respectively. The agreement contains confidentiality and non-competition covenants.

### Item 14. Principal Accountant Fees and Services.

The following is a description of the fees incurred by the Company for services by the firm of Nussbaum Yates Berg Klein & Wolpov, LLP (the "Firm") during fiscal 2015 and fiscal 2014.

The Company incurred for the services of the Firm fees of approximately \$65,000 and \$64,000 for fiscal 2015 and 2014, respectively, in connection with the audit of the Company's annual financial statements and quarterly reviews; and \$6,000 for each fiscal year for the preparation of the Company's corporate tax returns.

In approving the engagement of the independent registered public accounting firm to perform the audit and non-audit services, the Board of Directors as the Company's audit committee evaluates the scope and cost of each of the services to be performed including a determination that the performance of the non-audit services will not affect the independence of the firm in the performance of the audit services.

## Part IV

### Item 15. Exhibits and Financial Statement Schedules.

Financial Statements. The required financial statements of the Company are attached hereto on pages F1-F24.

Exhibits. The following Exhibits are filed as part of this report on Form 10-K:

<u>Exhibit Number</u>	<u>Exhibit</u>
3	Articles of Incorporation and By-Laws:
3(a)	Certificate of Incorporation of the Company as amended (filed as Exhibit 1(a-1) to the Company's General Form for Registration of Securities on Form 10 dated February 14, 1973 and incorporated by reference thereto.)
3(b)	Certificate of Amendment of the Company's Certificate of Incorporation, as filed on January 28, 1985 (filed as Exhibit 3(a) to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1985 and incorporated by reference thereto.)
3(c)	By-Laws of the Company, as restated and amended (filed as Exhibit 3(ii) to the Company's Current Report on Form 8-K filed on January 6, 2003 and Exhibit 3(ii) to the Company's Current Report on Form 8-K filed on December 5, 2007 and incorporated by reference thereto).
4	Instruments defining the rights of security holders:
4(a)	2002 Stock Option Plan (filed as Exhibit 99-1 to the Company's Current Report on Form 8-K filed on November 25, 2002 and incorporated by reference thereto).
4(b)	2012 Stock Option Plan (filed as Exhibit 10 to the Company's Current Report on Form 8-K filed on January 23, 2012 and incorporated by reference thereto).
10	Material Contracts:
10(a)	Lease between Registrant and AIP Associates, predecessor-in-interest of current lessor, dated October, 1989 with respect to Company's offices and facilities in Bohemia, New York (filed as Exhibit 10(a) to the Company's Annual Report on Form 10-KSB filed on September 28, 2005 and incorporated by reference thereto).
10(a)-1	Amendment to lease between Registrant and REP A10 LLC, successor in interest of AIP Associates, dated September 1, 2004 (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on September 2, 2004, and incorporated by reference thereto).
10(a)-2	Second amendment to lease between Registrant and REP A10 LLC dated November 5, 2007 (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on November 8, 2007, and incorporated by reference thereto).
10(a)-3	Lease agreement dated August 8, 2014 by and between the Company and 80 Orville Drive Associates LLC.



- 10(b) Employment Agreement dated January 1, 2003, by and between the Company and Ms. Santos (filed as Exhibit 10(a) to the Company's Current Report on Form 8-K filed on January 22, 2003, and incorporated by reference thereto).
- 10(b)-1 Employment Agreement dated September 1, 2004, by and between the Company and Ms. Santos (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on September 1, 2004, and incorporated by reference thereto).
- 10(b)-2 Employment Agreement dated December 29, 2006, by and between the Company and Ms. Santos (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on December 29, 2006, and incorporated by reference thereto).
- 10(b)-3 Employment Agreement dated July 31, 2009 by and between the Company and Ms. Santos (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on August 7, 2009, and incorporated by reference thereto).
- 10(b)-4 Employment Agreement dated May 14, 2010 by and between the Company and Ms. Santos (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on May 18, 2010, and incorporated by reference thereto).
- 10(b)-5 Employment Agreement dated September 13, 2011 by and between the Company and Ms. Santos (filed as exhibit 10(b)-5 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2011, and incorporated by reference thereto).
- 10(b)-6 Amended Employment Agreement dated May 20, 2013 by and between the Company and Ms. Santos (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on May 20, 2013, and incorporated by reference thereto).
- 10(b)-7 Agreement extension dated June 9, 2015 to amend employment agreement by and between the Company and Ms. Santos (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on June 9, 2015, and incorporated by reference thereto).
- 10(c) Employment Agreement dated January 1, 2003, by and between the Company and Mr. Robert P. Nichols (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on January 22, 2003, and incorporated by reference thereto).
- 10(c)-1 Employment Agreement dated September 1, 2004, by and between the Company and Mr. Nichols (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on September 1, 2004, and incorporated by reference thereto).
- 10(c)-2 Employment Agreement dated December 29, 2006, by and between the Company and Mr. Nichols (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on December 29, 2006, and incorporated by reference thereto).
- 10(c)-3 Employment Agreement dated July 31, 2009 by and between the Company and Mr. Nichols (filed as Exhibit 10A-2 to the Company's Current Report on Form 8-K filed on August 7, 2009, and incorporated by reference thereto).
- 10(c)-4 Employment Agreement dated May 14, 2010 by and between the Company and Mr. Nichols (filed as Exhibit 10A-2 to the Company's Current Report on Form 8-K filed on May 18, 2010, and incorporated by reference thereto).

- 10(c)-5 Employment Agreement dated September 13, 2011 by and between the Company and Mr. Nichols (filed as Exhibit 10(c)-5 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2011, and incorporated by reference thereto).
- 10(c)-6 Amended Employment Agreement dated May 20, 2013 by and between the Company and Mr. Nichols (filed as Exhibit 10A-2 to the Company's current Report on Form 8-K filed on May 20, 2013, and incorporated by reference thereto).
- 10(c)-7 Agreement extension dated June 9, 2015 to amend employment agreement with Mr. Nichols (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on June 9, 2015, and incorporated by reference thereto).
- 10(d) Consulting Agreement dated January 1, 2003 by and between the Company and Mr. Cremonese and his affiliate, Laboratory Innovation Company, Ltd. (filed as Exhibit 10(b) to the Company's Current Report on Form 8-K filed on January 6, 2003, and incorporated by reference thereto).
- 10(d)-1 Amended and Restated Consulting Agreement dated March 22, 2005, by and between the Company and Mr. Cremonese and Laboratory Innovation Company, Ltd. (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on March 23, 2005, and incorporated by reference thereto).
- 10(d)-2 Second Amended and Restated Consulting Agreement dated March 15, 2007, by and between the Company and Mr. Cremonese and Laboratory Innovation Company Ltd. (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on March 16, 2007, and incorporated by reference thereto).
- 10(d)-3 Third Amended and Restated Consulting Agreement dated September 23, 2009, by and between the Company and Mr. Cremonese and Laboratory Innovation Company, Ltd. (filed as Exhibit 10 to the Company's Annual Report on Form 10-K filed on September 24, 2009, and incorporated by reference thereto).
- 10(d)-4 Fourth Amended and Restated Consulting Agreement dated January 7, 2011 (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K (filed on January 18, 2011, and incorporated by reference thereto).
- 10(d)-5 Fifth Amendment and Restated Consulting Agreement dated January 20, 2012 (filed as Exhibit 10 to the Company's Current Report on Form 8-K (filed on January 23, 2012, and incorporated by reference thereto).
- 10(d)-6 Agreement extension dated November 29, 2012 to Amended and Restated Consulting Agreement (filed as Exhibit 10 to the Company's Current Report on Form 8-K filed on December 4, 2012, and incorporated by reference thereto).
- 10(d)-7 Agreement extension dated December 12, 2013 to Amended and Restated Consulting Agreement (filed as Exhibit 10 to the Company's Current Report on Form 8-K filed on December 12, 2013, and incorporated by reference thereto).
- 10(d)-8 Agreement extension dated January 14, 2015 to Amended and Restated Consulting Agreement by and between the Company and Mr. Cremonese and affiliates (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on January 15, 2015, and incorporated with reference thereto).
- 10(e) Sublicense from Fluorometrix Corporation (filed as Exhibit 10(a)1 to the Company's Current Report on Form 8-K filed on June 14, 2006, and incorporated by reference thereto).

- 10(f) Stock Purchase Agreement, dated as of November 30, 2006, by and among the Company and Grace Morin, Heather H. Haught and William D. Chandler (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on December 5, 2006, and incorporated by reference thereto).
- 10(g) Escrow Agreement, dated as of November 30, 2006, by and among the Company and Grace Morin, Heather H. Haught and William D. Chandler (filed as Exhibit 10(a) to the Company's Current Report on Form 8-K filed on December 5, 2006, and incorporated by reference thereto).
- 10(h) Registration Rights Agreement, dated as of November 30, 2006, by and among the Company and Grace Morin, Heather H. Haught and William D. Chandler (filed as Exhibit 10(b) to the Company's Current Report on Form 8-K filed on December 5, 2006, and incorporated by reference thereto).
- 10(i) Employment Agreement, dated as of November 30, 2006, between Altamira Instruments, Inc. and Brookman P. March (filed as Exhibit 10(c) to the Company's Current Report on Form 8-K filed on December 5, 2006, and incorporated by reference thereto).
- 10(i)-1 Employment Agreement, dated as of October 30, 2008, between Altamira Instruments, Inc. and Brookman P. March (filed as Exhibit 10A-2 to the Company's Current Report on Form 8-K filed on October 30, 2008, and incorporated by reference thereto).
- 10(i)-2 Employment Agreement, dated as of October 1, 2010, between Altamira Instruments, Inc., and Brookman P. March (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on October 13, 2010, and incorporated by reference thereto).
- 10(i)-3 Employment Agreement, dated as of May 18, 2012 between Altamira Instruments, Inc. and Brookman P. March (filed as Exhibit 10(i)-3 to the Company's Annual Report on Form 10-K filed on September 27, 2012, and incorporated by reference thereto).
- 10(i)-4 Agreement Extension, dated as of May 21, 2014 between Altamira Instruments, Inc. and Brookman P. March (filed as Exhibit 10 to the Company's Current Report on Form 8-K filed on May 21, 2014, and incorporated by reference thereto).
- 10(i)-5 Agreement extension dated June 9, 2015 to amend employment agreement (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on June 9, 2015, and incorporated by reference thereto).
- 10(j) Indemnity Agreement, dated as of April 13, 2007 by and among the Company and Grace Morin, Heather H. Haught and William D. Chandler (filed as Exhibit 10(j) to the Company's Annual Report on Form 10-KSB filed on September 28, 2007 and incorporated by reference thereto).
- 10(k) Lease between Altamira Instruments, Inc. and Allegheny Homes, LLC, with respect to the Company's Pittsburgh, Pennsylvania facilities (filed as Exhibit 10(k) to the Company's Annual Report on Form 10-KSB filed on September 28, 2007 and incorporated by reference thereto).

- 10(k)-1 Lease between Altamira Instruments, Inc. and Allegheny Homes, LLC, with respect to the Company's Pittsburgh, Pennsylvania facilities (filed as Exhibit 10(k)-1 to the Company's Quarterly Report on Form 10-Q filed on February 14, 2013, and incorporated by reference thereto).
- 10(l) Line of Credit Agreements dated October 30, 2008, by and among the Company and Capital One, N.A. (filed as Exhibits 10-A1(a) through (f) to the Company's Current Report on Form 8-K filed on October 30, 2008, and incorporated by reference thereto).
- 10(l)-1 Restated Promissory Note Agreement dated January 20, 2010 by and among the Company and Capital One N.A. (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed on January 20, 2010, and incorporated by reference thereto).
- 10(l)-2 Restated Promissory Note Agreement dated January 5, 2011 by and among the Company and Capital One N.A. (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed on January 6, 2011, and incorporated by reference thereto).
- 10(m) Consulting Agreement dated April 1, 2009 by and between the Company and Grace Morin (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on April 1, 2009, and incorporated by reference thereto).
- 10(m)-1 Agreement dated January 12, 2015 to extend Consulting Agreement (filed as Exhibit 10A-2 to the Company's Current Report on Form 8-K filed on January 15, 2015, and incorporated by reference thereto).
- 10(n) Line of Credit Agreements dated June 14, 2011, by and among the Company and JPMorgan Chase Bank, N.A. (filed as Exhibits 99.1 through 99.3 to the Company's Current Report on Form 8-K filed on June 16, 2011, and incorporated by reference thereto).
- 10(n)-1 Promissory Note dated June 5, 2013 by and among the Company and JP Morgan Chase Bank, N.A. (filed as Exhibit 99 to the Company's Current Report on Form 8-K filed on June 7, 2013, and incorporated by reference thereto).
- 10(o) Purchase Agreement, dated as of November 14, 2011, by and among the Company, Scientific Bioprocessing, Inc., and Fluorometrix Corporation (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on November 17, 2011, and incorporated by reference thereto).
- 10(p) Escrow Agreement, dated as of November 14, 2011, by and among the Company, Scientific Bioprocessing, Inc., and Fluorometrix Corporation (filed as Exhibit 10(A) to the Company's Current Report on Form 8-K filed on November 17, 2011, and incorporated by reference thereto).
- 10(q) Research and Development Agreement dated as of November 14, 2011, by and between Scientific Bioprocessing, Inc. and Biodox R&D Corporation (filed as Exhibit 10(B) to the Company's Current Report on Form 8-K filed on November 17, 2011, and incorporated by reference thereto).

- 10(q)-1 Notice of termination of Research and Development Agreement dated June 12, 2013 (filed as Exhibit 99 to the Company's Current Report on Form 8-K filed on June 27, 2013, and incorporated by reference thereto).
- 10(r) Non-Competition Agreement, dated as of November 14, 2011, by and among the Company, Scientific Bioprocessing, Inc., and Joseph E. Qualitz (filed as Exhibit 10(D) to the Company's Current Report on Form 8-K filed on November 17, 2011, and incorporated by reference thereto).
- 10(s) Promissory Note, dated as of November 14, 2011, by and between the Company and the University of Maryland, Baltimore County (filed as Exhibit 10(c) to the Company's Current Report on Form 8-K filed on November 17, 2011, and incorporated by reference thereto).
- 10(t) License Agreement, dated as of January 31, 2001 by and between University of Maryland, Baltimore County and Fluorometrix Corporation (filed as Exhibit 10(E) to the Company's Current Report on Form 8-K filed on November 21, 2011, and incorporated by reference thereto).
- 10(u) Line of Credit Agreements dated June 25, 2014, by and among the Company and Bank of America Merrill Lynch (filed as Exhibits 99.1 through 99.2 (to the Company's Current Report on Form 8-K filed on July 2, 2014, and incorporated by reference thereto).
- 10(v) Asset Purchase Agreement, dated as of February 26, 2014, by and among the Company and Fulcrum, Inc. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on February 28, 2014, and incorporated by reference thereto).
- 10(v)-1 Escrow Agreement, dated as of February 26, 2014, by and among the Company, and Fulcrum, Inc. (filed as Exhibit 10(e) to the Company's Current Report on Form 8-K filed on February 28, 2014, and incorporated by reference thereto).
- 10(v)-2 Non-Competition Agreements, dated as of February 26, 2014, by and among the Company, and James Maloy and Karl Nowosielski (filed as Exhibits 10(b) and 10(c) to the Company's Current Report on Form 8-K filed on February 28, 2014, and incorporated by reference thereto).
- 10(v)-3 Registration Rights Agreement, dated as of February 26, 2014, by and among the Company, and Fulcrum, Inc. (filed as Exhibit 10(d) to the Company's Current Report on Form 8-K filed on February 28, 2014, and incorporated by reference thereto).
- 10(v)-4 Supply Agreement, dated as of February 20, 2014, by and among the Company, and Axis Sp 3.O.O. (filed as Exhibit 10(g) to the Company's Current Report on Form 8-K filed on February 28, 2014, and incorporated by reference thereto).
- 10(w) Line of Credit Agreements dated June 26, 2015, by and among the Company and First National Bank of Pennsylvania (filed as Exhibit 10.1 through 10.4 to the Company's Current Report on Form 8-K filed on June 30, 2015, and incorporated by reference thereto).
- 10(y) Note Purchase Agreements with James Maloy dated May 7, 2015 (filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed on June 30, 2015, and incorporated by reference thereto).

- 10(z) Note Purchase Agreements with Grace March dated May 19, 2015 (filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed on June 30, 2015, and incorporated by reference thereto).
- 14 Code of Ethics (filed as Exhibit 14 to the Company's Annual Report on Form 10-KSB filed on September 28, 2007 and incorporated by reference thereto).
- 21 Subsidiaries of the Registrant
- Altamira Instruments, Inc., a Delaware Corporation, is a wholly-owned subsidiary of the Company.
- Scientific Bioprocessing, Inc., a Delaware Corporation, is a wholly-owned subsidiary of the Company since November 2011.
- Scientific Packaging Industries, Inc., a New York corporation, is a wholly-owned inactive subsidiary of the Company.
- 31.01 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- 32.01 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, 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, Treasurer  
Chief Financial and Principal Accounting Officer

Date: September 29, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Helena R. Santos</u> Helena R. Santos	President and Treasurer (Chief Executive Officer and Financial Officer) and Director	September 28, 2015
<u>/s/ Joseph G. Cremonese</u> Joseph G. Cremonese	Chairman of the Board	September 28, 2015
<u>/s/ Roger B. Knowles</u> Roger B. Knowles	Director	September 28, 2015
<u>/s/ Grace S. Morin</u> Grace S. Morin	Director	September 28, 2015
<u>/s/ James S. Segasture</u> James S. Segasture	Director	September 28, 2015

**CERTIFICATION PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT**

I, Helena R. Santos, certify that:

- (1) I have reviewed this Annual Report on Form 10-K of Scientific Industries, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting (that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and



- (5) I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions);
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 28, 2015

By: /s/ Helena R. Santos  
Helena R. Santos  
Chief Executive Officer and  
Chief Financial Officer

**CERTIFICATION PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT**

I, Helena R. Santos, the Chief Executive Officer and Chief Financial Officer of Scientific Industries, Inc. (the "Company"), certify, to the best of my knowledge that:

1. I have reviewed this Annual Report on Form 10-K of the Company for the year ended June 30, 2015 (the "Annual Report");
2. the Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
3. the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of Scientific Industries, Inc.

Date: September 28, 2015

By: /s/ Helena R. Santos  
Helena R. Santos  
Chief Executive Officer and  
Chief Financial Officer

**SCIENTIFIC INDUSTRIES, INC.  
AND SUBSIDIARIES**

**FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**AS OF AND FOR THE  
YEARS ENDED JUNE 30, 2015 AND 2014**

**SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES**  
**AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Scientific Industries, Inc. and subsidiaries (the "Company") as of June 30, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Scientific Industries, Inc. and subsidiaries as of June 30, 2015 and 2014, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Nussbaum Yates Berg Klein & Wolpow, LLP  
Melville, New York

September 28, 2015

**SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**AS OF JUNE 30, 2015 AND 2014**

**ASSETS**

	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 482,000	\$ 493,700
Restricted cash	300,000	-
Investment securities	281,800	415,400
Trade accounts receivable, less allowance for doubtful accounts of \$11,600 in 2015 and 2014	1,081,700	756,700
Inventories	2,213,700	2,309,200
Prepaid expenses and other current assets	68,600	123,100
Deferred taxes	<u>114,200</u>	<u>86,000</u>
Total current assets	4,542,000	4,184,100
Property and equipment, net	235,200	252,100
Intangible assets, net	1,451,900	1,795,900
Goodwill	705,300	705,300
Other assets	52,500	28,200
Deferred taxes	<u>154,500</u>	<u>146,200</u>
Total assets	<u>\$ 7,141,400</u>	<u>\$ 7,111,800</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current liabilities:		
Accounts payable	\$ 227,600	\$ 373,700
Customer advances	76,400	89,500
Accrued expenses and taxes	519,900	442,800
Contingent consideration, current portion	106,800	109,000
Notes payable	<u>200,000</u>	<u>26,700</u>
Total current liabilities	1,130,700	1,041,700
Contingent consideration payable, less current portion	<u>260,300</u>	<u>391,000</u>
Total liabilities	<u>1,391,000</u>	<u>1,432,700</u>
Shareholders' equity:		
Common stock, \$.05 par value; authorized 7,000,000 shares; issued 1,508,914 shares in 2015 and 1,488,914 in 2014	75,400	74,400
Additional paid-in capital	2,486,700	2,420,700
Accumulated other comprehensive income (loss)	(3,300)	1,100
Retained earnings	<u>3,244,000</u>	<u>3,235,300</u>
	5,802,800	5,731,500
Less common stock held in treasury at cost, 19,802 shares	<u>52,400</u>	<u>52,400</u>
Total shareholders' equity	<u>5,750,400</u>	<u>5,679,100</u>
Total liabilities and shareholders' equity	<u>\$ 7,141,400</u>	<u>\$ 7,111,800</u>

See notes to consolidated financial statements.

**SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Revenues	\$ <b>7,848,400</b>	\$ 6,793,200
Cost of revenues	<u>4,726,800</u>	<u>4,178,900</u>
Gross profit	<u>3,121,600</u>	<u>2,614,300</u>
Operating expenses:		
General and administrative	1,700,900	1,513,400
Selling	1,045,300	792,900
Research and development	<u>392,200</u>	<u>426,700</u>
Total operating expenses	<u>3,138,400</u>	<u>2,733,000</u>
Loss from operations	<u>(16,800)</u>	<u>(118,700)</u>
Other income (expense):		
Interest income	4,300	-
Other income	9,400	14,800
Interest expense	<u>(4,200)</u>	<u>(3,100)</u>
Total other income	<u>9,500</u>	<u>11,700</u>
Loss before income tax expense (benefit)	<u>(7,300)</u>	<u>(107,000)</u>
Income tax expense (benefit):		
Current	18,700	400
Deferred	<u>(34,700)</u>	<u>(32,100)</u>
Total income tax benefit	<u>(16,000)</u>	<u>(31,700)</u>
Net income (loss)	<u>\$ 8,700</u>	<u>\$ (75,300)</u>
Basic earnings (loss) per common share	<u>\$ .01</u>	<u>\$ (.05)</u>
Diluted earnings (loss) per common share	<u>\$ .01</u>	<u>\$ (.05)</u>
Weighted average common shares outstanding, basic	<u>1,478,126</u>	<u>1,385,054</u>
Weighted average common shares outstanding, assuming dilution	<u>1,479,882</u>	<u>1,385,054</u>

See notes to consolidated financial statements.

**SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Net income (loss)	\$ <b>8,700</b>	\$ (75,300)
Other comprehensive income (loss):		
Unrealized holding gain (loss) arising during period, net of tax	<u>(4,400)</u>	<u>14,700</u>
Comprehensive income (loss)	<u>\$ <b>4,300</b></u>	<u>\$ (60,600)</u>

See notes to consolidated financial statements.



**SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Other Comprehensive Gain (Loss)</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>		<u>Total Share- holders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				<u>Shares</u>	<u>Amount</u>	
Balance, July 1, 2013	1,357,465	\$ 67,900	\$ 1,977,100	\$ (13,600)	\$ 3,418,000	19,802	\$ 52,400	\$ 5,397,000
Net loss	-	-	-	-	(75,300)	-	-	(75,300)
Unrealized holding gain on investment securities, net of tax	-	-	-	14,700	-	-	-	14,700
Exercise of stock options	5,000	200	6,500	-	-	-	-	6,700
Issuance of common stock	126,449	6,300	421,100	-	-	-	-	427,400
Stock-based compensation	-	-	16,000	-	-	-	-	16,000
Cash dividend declared and paid, \$.08 per share	-	-	-	-	(107,400)	-	-	(107,400)
Balance, June 30, 2014	1,488,914	74,400	2,420,700	1,100	3,235,300	19,802	52,400	5,679,100
Net income	-	-	-	-	8,700	-	-	8,700
Unrealized holding loss on investment securities, net of tax	-	-	-	(4,400)	-	-	-	(4,400)
Exercise of stock options	20,000	1,000	50,200	-	-	-	-	51,200
Stock-based compensation	-	-	10,900	-	-	-	-	10,900
Income tax benefit of stock options exercised	-	-	4,900	-	-	-	-	4,900
Balance, June 30, 2015	1,508,914	\$ 75,400	\$ 2,486,700	\$ (3,300)	\$ 3,244,000	19,802	\$ 52,400	\$ 5,750,400

See notes to consolidated financial statements.

**SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Operating activities:		
Net income (loss)	<u>\$ 8,700</u>	<u>\$ (75,300)</u>
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	434,800	262,800
Deferred income tax benefit	(34,700)	(32,100)
Loss on sale of investment securities	4,200	19,500
Income tax benefit of stock options exercised	4,900	-
Stock-based compensation	10,900	16,000
Changes in operating assets and liabilities, net of effect of acquisition:		
Trade accounts receivable	(325,000)	59,200
Inventories	95,500	(459,600)
Prepaid and other current assets	54,500	(64,100)
Other assets	(24,300)	(4,100)
Accounts payable	(146,100)	216,900
Customer advances	(13,100)	73,600
Accrued expenses and taxes	<u>77,100</u>	<u>22,200</u>
Total adjustments	<u>138,700</u>	<u>110,300</u>
Net cash provided by operating activities	<u>147,400</u>	<u>35,000</u>
Investing activities, net of effect of acquisition:		
Increase in restricted cash	(300,000)	-
Payment for assets acquired in acquisition	-	(700,000)
Purchase of investment securities, available for sale	(3,800)	(25,000)
Redemption of investment securities, available for sale	127,000	518,800
Capital expenditures	(67,300)	(49,900)
Purchase of other intangible assets	<u>(6,600)</u>	<u>(2,900)</u>
Net cash used in investing activities	<u>(250,700)</u>	<u>(259,000)</u>
Financing activities:		
Proceeds from notes	200,000	-
Line of credit proceeds	250,000	150,000
Line of credit repayments	(250,000)	(150,000)
Payments for contingent consideration	(132,900)	(30,600)
Proceeds from exercise of stock options	51,200	6,700
Cash dividend declared and paid	-	(107,400)
Principal payments on note payable	<u>(26,700)</u>	<u>(78,300)</u>
Net cash provided by (used in) financing activities	<u>91,600</u>	<u>(209,600)</u>

See notes to consolidated financial statements.

**SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Net decrease in cash and cash equivalents	(11,700)	(433,600)
Cash and cash equivalents, beginning of year	<u>493,700</u>	<u>927,300</u>
Cash and cash equivalents, end of year	<u>\$ 482,000</u>	<u>\$ 493,700</u>
Supplemental disclosures:		
Cash paid during the period for:		
Income taxes	\$ 1,800	\$ 152,100
Interest	4,200	3,100
See Note 2 for non-cash investing and financing activities		

See notes to consolidated financial statements.

# SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

### 1. Summary of Significant Accounting Policies

#### *Nature of Operations*

Scientific Industries, Inc. and its subsidiaries (the "Company") design, manufacture, and market a variety of benchtop laboratory equipment, bioprocessing products and catalyst research instruments. The Company is headquartered in Bohemia, New York where it produces benchtop laboratory equipment for research and has another location in Pittsburgh, Pennsylvania, where it produces a variety of custom-made catalyst research instruments and designs bioprocessing products, and an administrative facility in Oradell, New Jersey related to benchtop laboratory equipment. The equipment sold by the Company includes mixers, shakers, stirrers, refrigerated incubators, pharmacy balances and scales, catalyst characterization instruments, reactor systems and high throughput systems. The Company also sublicenses certain patents and technology under a license with the University of Maryland, Baltimore County, and receives royalty fees from the sublicenses.

#### *Principles of Consolidation*

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

#### *Revenue Recognition*

Revenue from product sales is recognized when all the following criteria are met:

- Persuasive evidence of an arrangement exists, including receipt of a written purchase order agreement which is binding on the customer.
- Goods are shipped and title passes.
- Prices are fixed and determinable.
- Collectability is reasonably assured.
- All material obligations under the agreement have been substantially performed.

Revenues are net of normal discounts. Shipping and handling fees billed to customers are included in net revenues, while the related costs are included in cost of revenues.

Substantially all orders are F.O.B. shipping point, all sales are final without right of return or payment contingencies, and there are no special sales arrangements or agreements with any customers.

Royalty revenue received under the Company's sublicenses is recorded net of payments due to its licensors.

## SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

#### 1. Summary of Significant Accounting Policies (Continued)

##### ***Cash and Cash Equivalents***

The Company considers all highly liquid debt instruments purchased with a maturity of 90 days or less to be cash equivalents. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit. As of June 30, 2015 and 2014, \$50,000 and \$52,800 respectively of cash balances were in excess of such limit.

##### ***Accounts Receivable***

In order to record the Company's accounts receivable at their net realizable value, the Company must assess their collectability. A considerable amount of judgment is required in order to make this assessment, including an analysis of historical bad debts and other adjustments, a review of the aging of the Company's receivables, and the current creditworthiness of the Company's customers. The Company has recorded allowances for receivables which it considered uncollectible, including amounts for the resolution of potential credit and other collection issues such as disputed invoices, customer satisfaction claims and pricing discrepancies. However, depending on how such potential issues are resolved, or if the financial condition of any of the Company's customers was to deteriorate and its ability to make required payments became impaired, increases in these allowances may be required. The Company actively manages its accounts receivable to minimize credit risk. The Company does not obtain collateral for its accounts receivable.

##### ***Customer Advances***

In the ordinary course of business, customers may make advance payments for purchase orders. Such amounts, when received, are categorized as liabilities under the caption customer advances.

##### ***Investment Securities***

Securities available for sale are carried at fair value with unrealized gains or losses reported in a separate component of shareholders' equity. Realized gains or losses are determined based on the specific identification method.

##### ***Inventories***

Inventories are valued at the lower of cost (determined on a first-in, first-out basis) or market value, and have been reduced by an allowance for excess and obsolete inventories. The estimate is based on management's review of inventories on hand compared to estimated future usage and sales. Cost of work-in-process and finished goods inventories include material, labor and manufacturing overhead.

## SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

#### 1. Summary of Significant Accounting Policies (Continued)

##### ***Property and Equipment***

Property and equipment are stated at cost. Depreciation of property and equipment is provided for primarily by the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized by the straight-line method over the remaining term of the related lease or the estimated useful lives of the assets, whichever is shorter.

##### ***Intangible Assets***

Intangible assets consist primarily of acquired technology, customer relationships, non-compete agreements, patents, licenses, websites, intellectual property and research and development ("IPR&D"), trademarks and trade names. All intangible assets are amortized on a straight-line basis over the estimated useful lives of the respective assets, generally 3 to 10 years. The Company continually evaluates the remaining estimated useful lives of intangible assets that are being amortized to determine whether events or circumstances warrant a revision to the remaining period of amortization.

##### ***Goodwill and Long-Lived Assets***

Goodwill represents the excess of purchase price over the fair value of identifiable net assets acquired in a business combination. Goodwill and long-lived intangible assets are tested for impairment at least annually in accordance with the provisions of ASC No. 350, "Intangibles-Goodwill and Other" ("ASC No. 350"). ASC No. 350 requires that goodwill be tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The Company tests goodwill and long-lived assets annually as of June 30, the last day of its fiscal year, unless an event occurs that would cause the Company to believe the value is impaired at an interim date. The Company concluded as of June 30, 2015 and 2014 there was no impairment of goodwill or intangible assets.

##### ***Impairment of Long-Lived Assets***

The Company follows the provisions of ASC No. 360-10, "Property, Plant and Equipment – Impairment or Disposal of Long-Lived Assets ("ASC No. 360-10"). ASC No. 360-10 which requires evaluation of the need for an impairment charge relating to long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an evaluation for impairment is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write down to a new depreciable basis is required. If required, an impairment charge is recorded based on an estimate of future discounted cash flows. No impairment change has been recorded for the years ended June 30, 2015 and 2014.

## SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

#### 1. Summary of Significant Accounting Policies (Continued)

##### ***Income Taxes***

The Company and its subsidiaries file a consolidated U.S. federal income tax return. Income taxes are accounted for under the asset and liability method. The Company provides for federal, and state income taxes currently payable, as well as for those deferred due to timing differences between reporting income and expenses for financial statement purposes versus tax purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributed to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in income tax rates is recognized as income or expense in the period that includes the enactment date.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

##### ***Advertising***

Advertising costs are expensed as incurred. Advertising expense amounted to \$79,400 and \$53,200 for the years ended June 30, 2015 and 2014, respectively.

##### ***Research and Development***

Research and development costs consisting of expenses for activities that are useful in developing and testing new products, as well as expenses that may significantly improve existing products, are expensed as incurred.

##### ***Stock Compensation Plan***

The Company has a ten-year stock option plan (the "2012 Plan") which provides for the grant of options to purchase up to 100,000 shares of the Company's Common Stock, par value \$.05 per share ("Common Stock"), plus 57,000 shares under options previously granted under the 2002 Stock Option Plan of the Company (the "Prior Plan"). The 2012 Plan provides for the granting of incentive or non-incentive stock options as defined in the 2012 Plan and options under the 2012 Plan may be granted until 2022. Incentive stock options may be granted to employees at an exercise price equal to 100% (or 110% if the optionee owns directly or indirectly more than 10% of the outstanding voting stock) of the fair market value of the shares of Common Stock on the date of the grant which shall not be less than the book value per share of Common Stock as of the end of the most recent fiscal quarter. Non-incentive stock options shall be granted at the fair market value of the shares of Common Stock on the date of grant, which shall not be less than the per share book value. At June 30, 2015 and 2014, 84,500 and 82,000 shares respectively, of Common Stock were available for grant of options under the 2012 Plan.

## SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

#### 1. Summary of Significant Accounting Policies (Continued)

##### ***Stock Compensation Plan (Continued)***

Stock-based compensation is accounted for in accordance with ASC No. 718 "Compensation-Stock Compensation" ("ASC No. 718") which requires compensation costs related to stock-based payment transactions to be recognized. With limited exceptions, the amount of compensation cost is measured based on the grant-date fair value of the equity or liability instruments issued. In addition, liability awards are measured at each reporting period. Compensation costs are recognized over the period that an employee provides service in exchange for the award. During the years ended June 30, 2015 and 2014, the Company granted 4,000 and 11,000 options to employees and the Chairman of the Board of Directors that had a fair value of \$7,100 and \$19,500, respectively. The fair value of the options granted during fiscal year 2015 and 2014 were determined using the Black-Scholes-Merton option-pricing model. The weighted average assumptions used for fiscal 2015 and 2014, was an expected life of 10 years; risk free interest rate of 1.93% and 2.75%; volatility of 52% and 62%, and dividend yield of 0% and 2.92%. The Company did not declare dividends during the year ended June 30, 2015 and does not anticipate declaring dividends in the foreseeable future. Therefore a zero value for the expected dividend value factor was used to determine the fair value of options granted during 2015. The weighted-average value per share of the options granted in 2015 and 2014 was \$1.77 and \$1.75, and total stock-based compensation costs were \$10,900 and \$16,000 for the years ended June 30, 2015 and 2014, respectively. Stock-based compensation costs related to nonvested awards expected to be recognized in the future are \$3,300 and \$9,000 as of June 30, 2015 and 2014, respectively.

##### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission requires management to make estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. Estimates are used for, but not limited to, the allowance for doubtful accounts, slow-moving inventory reserves, depreciation and amortization, assumptions made in valuing equity instruments issued for services, and the fair values of intangibles and goodwill. The actual results experienced by the Company may differ materially from management's estimates.

##### ***Earnings (Loss) Per Common Share***

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

##### ***New Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Contracts with Customers amending revenue recognition requirements for multiple-deliverable revenue arrangements. This update provides guidance on how revenue is recognized to depict the transfer of promised goods or services to customers in an amount



## SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

#### 1. Summary of Significant Accounting Policies (Continued)

##### *New Accounting Pronouncements (Continued)*

that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. This determination is made in five steps: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. In July 2015, the FASB deferred the effective date to fiscal years beginning after December 15, 2018, or the Company's June 30, 2020, and early adoption of the standard is permitted, but not before the original effective date of December 15, 2017. The Company is evaluating the effect this guidance will have on the consolidated financial statements and related disclosures.

In June 2014, the FASB issued ASU 2014-12, Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target Could be Achieved After the Requisite Service Period. This update affects reporting entities that grant their employee's targets that affects vesting could be achieved after the requisite service period. The new standard requires that a performance target that affects vesting and that could be achieved after the requisite services period be treated as a performance condition. The new standard will be effective for the Company beginning July 1, 2016, and early adoption is permitted. The Company expects the adoption will not have a material impact on its financial condition, results of operations or cash flows.

In July 2015, the FASB issued ASU No. 2015-11, "*Inventory: Simplifying the Measurement of Inventory*", that requires inventory not measured using either the last in, first out (LIFO) or the retail inventory method to be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable cost of completion, disposal and transportation. The new standard will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, and will be applied prospectively. Early adoption is permitted. The Company is evaluating the impact that this standard will have on its consolidated financial statements.

#### 2. Acquisition

On February 26, 2014, the Company acquired substantially all the assets of a privately owned company consisting principally of inventory, fixed assets, and intangible assets related to the production and sale of a variety of laboratory and pharmacy balances and scales. The acquisition was pursuant to an asset purchase agreement whereby the Company paid the sellers \$700,000 in cash, 126,449 shares of Common Stock valued at \$427,500 and agreed to make additional cash payments based on a percentage of net sales of the business acquired equal to 8% for the period ending June 30, 2014 annualized, 9% for the year ending June 30, 2015, 10% for the year ending June 30, 2016 and 11% for the year ending June 30, 2017, estimated at a present value of \$460,000 on the date of acquisition. Payments related to this contingent consideration for each period are due in September following the fiscal year. Contingent consideration payments made under all acquisitions during the years ended June 30, 2015 and 2014 amounted to \$132,900 and \$30,600, respectively.

## SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

#### 2. Acquisition (Continued)

The products, which are similar to the Company's other Benchtop Laboratory Equipment, and in many cases used by the same customers, are marketed under the Torbal® brand. The principal customers are pharmacies, pharmacy schools, universities, government laboratories, and industries utilizing a precision scale. The products are sold primarily on a direct basis, including through the Company's e-commerce site.

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

Current assets	\$ 144,000
Property and equipment	118,100
Goodwill*	115,400
Other intangible assets	<u>1,210,000</u>
Total Purchase Price	<u>\$ 1,587,500</u>

\*See Note 7, "Goodwill and Other Intangible Assets".

Of the \$1,210,000 of the acquired other intangible assets, \$570,000 was assigned to technology and websites with a useful life of 5 years, \$120,000 was assigned to customer relationships with an estimated useful life of 9 years, \$140,000 was assigned to the trade name with an estimated useful life of 6 years, \$110,000 was assigned to the IPR&D with an estimated useful life of 3 years, and \$270,000 was assigned to non-compete agreements with an estimated useful life of 5 years.

In connection with the acquisition, the Company entered into a three-year employment agreement with the previous Chief Operating Officer of the acquired business as President of the Company's new Torbal Division and Director of Marketing for the Company. The agreement may be extended by mutual consent for an additional two years.

#### ***Pro forma results***

The unaudited pro forma condensed consolidated financial information in the table below summarizes the consolidated results of operations of the Company including its new Torbal Division, on a pro forma basis, as though the companies had been consolidated as of the beginning of the fiscal year ended June 30, 2014. 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 fiscal year presented. In addition, the Company was unable to obtain audited historical information and, therefore the information presented is based on management's best judgment and the effects of the acquisition including amortization expense and excluding total acquisition related costs incurred of \$79,500 for the year ended June 30, 2014:

**SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

**2. Acquisition (Continued)**

*Pro forma results (Continued)*

	<u>2014</u>
Revenues	\$ 7,623,200
Net loss	\$ (69,300)
Net loss per share – basic	\$ (.05)
Net loss per share - diluted	\$ (.05)

**3. 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 and laboratory and pharmacy balances and scales (“Benchtop Laboratory Equipment Operations”), 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 Operations”) and the design and marketing of bioprocessing systems and products and related royalty income (“Bioprocessing Systems”).

Segment information is reported as follows:

	<u>Benchtop Laboratory Equipment</u>	<u>Catalyst Research Instruments</u>	<u>Bioprocessing Systems</u>	<u>Corporate and Other</u>	<u>Consolidated</u>
June 30, 2015:					
Revenues	\$ 5,410,500	\$ 2,315,900	\$ 122,000	\$ -	\$ 7,848,400
Foreign Sales	2,584,100	1,322,400	-	-	3,906,500
Income (Loss) From Operations	90,600	19,700	(127,100)	-	(16,800)
Assets	4,240,100	1,614,400	736,400	550,500	7,141,400
Long-Lived Asset Expenditures	65,300	1,000	7,600	-	73,900
Depreciation and Amortization	302,000	34,800	98,000	-	434,800

**SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

**3. Segment Information and Concentrations (Continued)**

	<u>Benchtop Laboratory Equipment</u>	<u>Catalyst Research Instruments</u>	<u>Bioprocessing Systems</u>	<u>Corporate and Other</u>	<u>Consolidated</u>
June 30, 2014:					
Revenues	\$ 4,679,100	\$ 1,923,300	\$ 190,800	\$ -	\$ 6,793,200
Foreign Sales	2,617,300	866,900	2,000	-	3,486,200
Income (Loss) From Operations	156,000	(145,700)	(49,500)	(79,500)	(118,700)
Assets	4,129,100	1,535,300	799,800	647,600	7,111,800
Long-Lived Asset Expenditures	1,476,500	11,300	8,500	-	1,496,300
Depreciation and Amortization	130,900	35,000	96,900	-	262,800

**4. Fair Value of Financial Instruments**

The Financial Accounting Standards Board 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 for 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 June 30, 2015 and 2014 according to the valuation techniques the Company used to determine their fair values:

**SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

**4. Fair Value of Financial Instruments (Continued)**

Assets:	Fair Value Measurements Using Inputs Considered as			
	Fair Value at June 30, 2015	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 482,000	\$ 482,000	\$ -	\$ -
Restricted cash	300,000	300,000	-	-
Available for sale securities	<u>281,800</u>	<u>281,800</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,063,800</u>	<u>\$ 1,063,800</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities:</b>				
Contingent consideration	<u>\$ 367,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,100</u>

  

Assets:	Fair Value Measurements Using Inputs Considered as			
	Fair Value at June 30, 2014	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 493,700	\$ 493,700	\$ -	\$ -
Available for sale securities	<u>415,400</u>	<u>415,400</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 909,100</u>	<u>\$ 909,100</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities:</b>				
Contingent consideration	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,000</u>

Investments in marketable securities classified as available-for-sale by security type at June 30, 2015 and 2014 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Holding Gain (Loss)</u>
<b>At June 30, 2015:</b>			
Available for sale:			
Equity securities	\$ 29,300	\$ 35,800	\$ 6,500
Mutual funds	<u>255,800</u>	<u>246,000</u>	<u>(9,800)</u>
	<u>\$ 285,100</u>	<u>\$ 281,800</u>	<u>\$ (3,300)</u>
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Holding Gain (Loss)</u>
<b>At June 30, 2014:</b>			
Available for sale:			
Equity securities	\$ 29,300	\$ 38,500	\$ 9,200
Mutual funds	<u>385,000</u>	<u>376,900</u>	<u>(8,100)</u>
	<u>\$ 414,300</u>	<u>\$ 415,400</u>	<u>\$ 1,100</u>

**SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

**5. Inventories**

	<u>2015</u>	<u>2014</u>
Raw materials	\$ 1,420,800	\$ 1,617,100
Work-in-process	442,900	366,200
Finished goods	<u>350,000</u>	<u>325,900</u>
	<u>\$ 2,213,700</u>	<u>\$ 2,309,200</u>

**6. Property and Equipment**

	Useful Lives (Years)	<u>2015</u>	<u>2014</u>
Automobiles	5	\$ 14,900	\$ 14,900
Computer equipment	3-5	159,000	155,800
Machinery and equipment	3-7	741,600	744,800
Furniture and fixtures	4-10	205,900	206,900
Leasehold improvements	3-10	<u>29,100</u>	<u>72,800</u>
		1,150,500	1,195,200
Less accumulated depreciation and amortization		<u>915,300</u>	<u>943,100</u>
		<u>\$ 235,200</u>	<u>\$ 252,100</u>

Depreciation expense was \$84,200 and \$71,900 for the years ended June 30, 2015 and 2014, respectively.

**7. 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 acquisitions. Goodwill amounted to \$705,300 at June 30, 2015 and 2014, all of which is expected to be deductible for tax purposes.

The components of other intangible assets are as follows:

	<u>Useful Lives</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
At June 30, 2015:				
Technology, trademarks	5/10 yrs.	\$ 1,226,800	\$ 624,200	\$ 602,600
Trade names	6 yrs.	140,000	31,100	108,900
Websites	5 yrs.	210,000	56,000	154,000
Customer relationships	9/10 yrs.	357,000	236,200	120,800
Sublicense agreements	10 yrs.	294,000	106,600	187,400
Non-compete agreements	5 yrs.	384,000	182,700	201,300
IPR&D	3 yrs.	110,000	48,900	61,100
Other intangible assets	5 yrs.	<u>164,000</u>	<u>148,200</u>	<u>15,800</u>
		<u>\$ 2,885,800</u>	<u>\$ 1,433,900</u>	<u>\$ 1,451,900</u>

**SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

**7. Goodwill and Other Intangible Assets (Continued)**

	<u>Useful Lives</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
At June 30, 2014:				
Technology, trademarks	5/10 yrs.	\$ 1,226,800	\$ 489,100	\$ 737,700
Trade names	6 yrs.	140,000	7,800	132,200
Websites	5 yrs.	210,000	14,000	196,000
Customer relationships	9/10 yrs.	357,000	215,800	141,200
Sublicense agreements	10 yrs.	294,000	77,200	216,800
Non-compete agreements	5 yrs.	384,000	126,300	257,700
IPR&D	3 yrs.	110,000	12,200	97,800
Other intangible assets	5 yrs.	<u>157,400</u>	<u>140,900</u>	<u>16,500</u>
		<u>\$ 2,879,200</u>	<u>\$ 1,083,300</u>	<u>\$ 1,795,900</u>

Total amortization expense was \$350,600 and \$190,900 in 2015 and 2014, respectively.

Estimated future amortization expense of intangible assets is as follows:

<u>Fiscal Years</u>	
2016	\$ 353,300
2017	337,000
2018	324,000
2019	246,600
2020	80,400
Thereafter	<u>110,600</u>
	<u>\$ 1,451,900</u>

**8. Lines of Credit**

In June 2015, the Company obtained two new lines of credit with First National Bank of Pennsylvania – an Export-Related Revolving Line of Credit which is guaranteed by the Export-Import Bank of the United States which provides for export-related borrowings of up to \$998,500 through June 2016 bearing interest at prime plus 2% and an annual fee of 1.75% and a second one-year Demand Line of Credit which provides for borrowings of up to \$300,000 for regular working capital needs, bearing interest at prime, currently 3.25%, which is collateralized by a cash collateral account of \$300,000 which will be released upon certain financial criteria being met or the line being paid and terminated, whichever comes first. The agreement contains a financial covenant requiring the Company to maintain a minimum net worth and advances on both lines are also secured by a pledge of the Company's assets including inventory, accounts, chattel paper, equipment and general intangibles of the Company. As of June 30, 2015 there were no borrowings under either line. The Company previously had a line of credit with Bank of America Merrill Lynch which provided for maximum borrowings of up to \$700,000, bearing interest at 3.00 percentage points over the London Interbank Offered Rates Index and secured by a pledge of collateral consisting of the inventory, accounts, chattel paper, and equipment and fixtures of the Company. The Company did not have any amounts outstanding under the line at June 30, 2014 and the line was cancelled in June 2015.

## SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

#### 9. Notes Payable

The Company had a note payable with a balance of \$26,700 at June 30, 2014 bearing interest at 3.25% that was paid in 2015.

In May 2015, the Company borrowed \$200,000 under unsecured notes from two shareholders, one of whom is a Director of the Company, due in May 2016, with interest at 5% payable on the due date. These notes are subordinated to the bank line of credit described in Note 8.

#### 10. Employee Benefit Plans

The Company has a 401(k) profit sharing plan covering all its employees, which provides for voluntary employee salary contributions not to exceed the statutory limitations provided by the Internal Revenue Code. The plan provides for Company matching contribution equal to 100% of employee's deferral up to 3% of pay, plus 50% of employee's deferral over 3% of pay up to 5%. Previously, the Company had two separate plans. Total matching contributions amounted to \$66,400 and \$49,600 for the years ended June 30, 2015 and 2014, respectively.

#### 11. Commitments and Contingencies

The Company entered into a lease in August 2014 for its new Bohemia, New York premises through February 2025 which requires minimum annual rental payments plus other expenses, including real estate taxes and insurance. The future minimum annual rental expense, computed on a straight-line basis, is approximately \$169,800 under the terms of the new lease. Rental expense for the Bohemia facility under its current and old lease amounted to approximately \$199,400 in 2015 and \$239,800 in 2014. Accrued rent, payable in future years, amounted to \$46,700 and \$18,700 at June 30, 2015 and 2014, respectively.

The Company is also obligated under an operating lease for its facility in Pittsburgh, Pennsylvania, which requires monthly minimum rental payments through November 2017, plus common area expenses. Total rent expense for the Pittsburgh facility was \$99,000 and \$95,000 for the fiscal years ended June 30, 2015 and 2014, respectively.

In addition, the Company's new Torbal division was operating from a Clifton, New Jersey facility and as of mid-July 2014 moved to a significantly smaller office facility in Oradell, New Jersey from which it performs its sales and marketing functions. The Company was obligated under a previous agreement to pay \$24,000 for an early lease termination for the Clifton facility. Total rent expense for the New Jersey facilities, including the fee in 2014, was \$25,700 and \$47,900 for the years ended June 30, 2015 and 2014, respectively.



## SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

#### 11. Commitments and Contingencies (Continued)

The Company's approximate future minimum rental payments under all operating leases are as follows:

<u>Fiscal Years</u>	
2016	\$ 255,600
2017	264,000
2018	205,000
2019	174,000
2020	179,300
Thereafter	<u>475,900</u>
	<u>\$ 1,553,800</u>

The Company has employment contracts with its President providing for an annual base salary of \$157,100 and \$154,000 for the fiscal years ending June 30, 2016 and 2015 and with its Executive Vice President providing for an annual base salary of \$141,800 and \$139,000 for the fiscal years ending June 30, 2016 and 2015, respectively. Both contracts also provide for discretionary performance bonuses. No bonuses were awarded for the fiscal year ended June 30, 2015 or 2014 to either executive except for a stock option granted to the Executive Vice President during the year ended June 30, 2014, valued at \$3,500 using the Black-Scholes-Merton option pricing model.

The Company has an employment contract with the President of Altamira through June 30, 2016, which may be extended by mutual consent for an additional year. The contract provides for an annual base salary of \$142,800 and \$140,000 for each of the fiscal years ending June 30, 2016 and 2015, respectively, plus discretionary bonuses. No bonuses were awarded for the fiscal years ended June 30, 2015 or 2014, except for a stock option granted during the year ended June 30, 2014, valued at \$3,500 using the Black-Scholes-Merton option pricing model.

The Company has an employment agreement dated February 2014 with the President of its Torbal Division which expires in February 2017, which may be extended by mutual consent for another two years. The contract provides for an annual base salary of \$140,000 subject to increases commencing with the second year based on percentage increases in the Consumer Price Index ("CPI") from the end of the immediately preceding year's CPI plus discretionary bonuses. No bonuses were awarded during the fiscal years ended June 30, 2015 or 2014, however as part of the employment agreement, he was awarded a 4,000 and 2,000 share stock option during the years ended June 30, 2015 and 2014 valued at \$7,100 and \$3,900 using the Black-Scholes-Merton option pricing model, respectively. In addition, he is to be granted, subject to his continued employment in February 2016 and 2017 options for 5,000 shares and 6,000 shares, respectively.

The Company has a consulting agreement which expires on December 31, 2015 with an affiliate of the Chairman of the Board of Directors for marketing consulting services. The agreement provides that the consultant be paid a monthly fee of \$3,600 for a certain number of consulting days as defined in the agreement. Stock options were granted to the

**SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

**11. Commitments and Contingencies (Continued)**

Chairman of the Board of Directors valued at \$8,700 during the year ended June 30, 2014. Consulting expense related to this agreement amounted to \$43,200 and \$50,100 for the years ended June 30, 2015 and 2014, respectively.

The Company has a consulting agreement which expires December 31, 2015 with another member of its Board of Directors for administrative services providing that the consultant be paid at the rate of \$85 per hour. Consulting expense related to this agreement amounted to \$4,300 and \$5,700 for the fiscal years ended June 30, 2015 and 2014, respectively.

**12. Income Taxes**

The reconciliation of the provision for income taxes at the federal statutory rate of 35% to the actual tax expense or benefit for the applicable fiscal year was as follows:

	2015		2014	
	Amount	% of Pre-tax Income	Amount	% of Pre-tax Income
Computed "expected" income tax (benefit)	\$ (2,600)	(35.0%)	\$ (37,500)	(35.0%)
Research and development credits	(11,200)	(153.4)	(1,600)	(1.5)
Other, net	<u>(2,200)</u>	<u>(30.7)</u>	<u>7,400</u>	<u>6.9</u>
Income tax expense (benefit)	<u>\$ (16,000)</u>	<u>(219.1%)</u>	<u>\$ (31,700)</u>	<u>(29.6%)</u>

Deferred tax assets and liabilities consist of the following:

	2015	2014
Deferred tax assets:		
Amortization of intangible assets	\$ 183,000	\$ 153,300
Research and development credits	24,800	18,600
Various accruals	60,800	75,100
Other	<u>46,100</u>	<u>29,500</u>
	314,700	276,500
Deferred tax liability:		
Depreciation of property and amortization of goodwill	<u>(46,000)</u>	<u>(44,300)</u>
Net deferred tax assets	<u>\$ 268,700</u>	<u>\$ 232,200</u>

**SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

**12. Income Taxes (Continued)**

The breakdown between current and long-term deferred tax assets and liabilities is as follows:

	<u>2015</u>	<u>2014</u>
Current deferred tax assets	<u>\$ 114,200</u>	<u>\$ 86,000</u>
Long-term deferred tax assets	200,500	190,500
Long-term deferred tax liabilities	<u>(46,000)</u>	<u>(44,300)</u>
Net long-term deferred tax assets	<u>154,500</u>	<u>146,200</u>
Net deferred tax assets	<u>\$ 268,700</u>	<u>\$ 232,200</u>

ASC No. 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC No. 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As of June 30, 2015 and 2014, the Company did not have any unrecognized tax benefits related to various federal and state income tax matters.

The Company's policy is to recognize interest and penalties on any unrecognized tax benefits as a component of income tax expense. The Company does not have any accrued interest or penalties associated with any unrecognized tax benefits. The Company is subject to U.S. federal income tax, as well as various state jurisdictions. The Company is currently open to audit under the statute of limitations by the federal and state jurisdictions for the years ending June 30, 2012 through 2014. The Company does not anticipate any material amount of unrecognized tax benefits within the next 12 months.

**13. Stock Options**

Option activity is summarized as follows:

	<u>Fiscal 2015</u>		<u>Fiscal 2014</u>	
	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>
Shares under option:				
Outstanding, beginning of year	61,000	\$ 3.11	55,000	\$ 2.86
Granted	4,000	2.80	11,000	3.53
Exercised	(20,000)	2.56	(5,000)	1.35
Forfeited	<u>(6,500)</u>	3.07	<u>-</u>	<u>-</u>
Outstanding, end of year	<u>38,500</u>	<u>3.37</u>	<u>61,000</u>	<u>3.11</u>
Options exercisable at year-end	<u>27,200</u>	<u>\$ 3.10</u>	<u>48,300</u>	<u>\$ 2.82</u>
Weighted average fair value per share of options granted during the fiscal year		<u>\$ 2.80</u>		<u>\$ 3.53</u>

**SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

**13. Stock Options (Continued)**

As of June 30, 2015 Options Outstanding			As of June 30, 2015 Exercisable		
Range Exercise Prices	Number Outstanding	Weighted- Average Remaining Contractual Life (Years)	Weighted- Average Exercise Price	Number Outstanding	Weighted- Average Exercise Price
\$2.80 – 3.10	11,000	5.08	\$ 2.99	7,000	\$ 3.09
\$3.27 – 3.71	<u>27,500</u>	5.21	\$ 3.52	<u>20,200</u>	\$ 3.52
	<u>38,500</u>			<u>27,200</u>	
As of June 30, 2014 Options Outstanding			As of June 30, 2014 Exercisable		
Range Exercise Prices	Number Outstanding	Weighted- Average Remaining Contractual Life (Years)	Weighted- Average Exercise Price	Number Outstanding	Weighted- Average Exercise Price
\$1.88	10,000	.2	\$ 1.88	10,000	\$ 1.88
\$3.07-3.71	<u>51,000</u>	4.17	\$ 3.35	<u>38,300</u>	\$ 3.28
	<u>61,000</u>			<u>48,300</u>	

**14. Earnings (Loss) Per Common Share**

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

	<u>2015</u>	<u>2014</u>
Net income (loss)	\$ <u>8,700</u>	\$ <u>(75,300)</u>
Weighted average common shares outstanding	1,478,126	1,385,054
Effect of dilutive securities	<u>1,756</u>	<u>-</u>
Weighted average dilutive common shares outstanding	<u>1,479,882</u>	<u>1,385,054</u>
Basic earnings (loss) per common share	\$ <u>.01</u>	\$ <u>(.05)</u>
Diluted earnings (loss) per common share	\$ <u>.01</u>	\$ <u>(.05)</u>

Approximately 26,000 and 59,000 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 year ended June 30, 2015 and 2014, because the effect would be anti-dilutive.