

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, 2016

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 2, 2016 is \$2,768,300.

The number of shares outstanding of the registrant's common stock, par value \$.05 per share ("Common Stock") as of September 2, 2016 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 development 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 2 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 28% and 34% of the Company's total net revenues for each of the fiscal years ended June 30, 2016 ("fiscal 2016") and June 30, 2015 ("fiscal 2015"), and 50% of the segment's sales for both fiscal years.

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 orbital shakers.

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 .

Catalyst Research Instruments. The Catalyst Research Instrument products are offered through the Company's subsidiary, Altamira. Its flagship product is the AMI-300™, 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 products which the Company began marketing during fiscal 2016, principally coaster systems using disposable sensors for vessels with volumes ranging from 250 milliliter to five liters. The Company expects to commence production of these products in the fiscal year ending June 30, 2017. In addition, the Company sublicenses the patents and technology it holds relating to bioprocessing systems 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 2016 and fiscal 2015, 9% and 12% of total revenues, respectively, and 15% and 17% of Benchtop Laboratory Equipment product sales, respectively. 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 2016, sales to one customer accounted for 61% of the segment's sales (26% of total revenues). In fiscal 2015, sales to a different customer accounted for 12% of the segment's sales (4% of 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 primarily

Marketed and sold online, and primarily 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 Instrument products 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 production during the fiscal year ending June 30, 2017, although no assurances can be given, and will be offered both directly and through distribution worldwide to university, industrial, and government laboratories. The Company began marketing the products during fiscal 2016 via its new website, trade shows, and online marketing.

Assembly and Production. The Company has an operating facility in Bohemia, New York at which its Benchtop Laboratory Equipment operations are conducted and one in Pittsburgh, Pennsylvania at 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, including a patent which expires in February 2018 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 any material adverse effect on its operations following the expiration of the patents.

The Company has various proprietary trademarks, including AMI™, BenchCAT™, Biocoaster™, 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®, SBI®, 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 to certain technology related to its patent for the Roto-Shake Genie. Total license fees paid by the Company under all its licenses for fiscal 2016 and fiscal 2015 amounted to \$106,600 and \$124,100, respectively.

Foreign Sales. The Company's sales to overseas customers, principally in Asia and Europe, accounted for approximately 53% and 50% of the Company's net revenues for fiscal 2016 and fiscal 2015, 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. 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, 2016 was \$995,000, all of which is expected to be filled by June 30, 2017, although no assurance can be given, as compared to a backlog of \$2,570,400 as of June 30, 2015, all of which was filled in fiscal 2016.

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 and products exported from China. 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 (which is also a customer) 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 \$349,000 during fiscal 2016 compared to \$392,200 during fiscal 2015. The Company expects research and development expenditures in the fiscal year ending June 30, 2017 will be at approximately the same level as those in fiscal 2016.

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 2, 2016, the Company employed 34 persons (24 for the Benchtop Laboratory Equipment Operations and 10 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 2016, 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 2016 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. In addition, all the Company's public filings can be accessed through the Company's website at <https://scientificindustries.com/sec-filings>.

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 9% and 12% of its total revenues for fiscal 2016 and fiscal 2015, respectively. During fiscal 2016 one order from one customer for catalyst research instruments accounted for 26% of fiscal 2016 total revenues.

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% of Benchtop Laboratory Equipment sales, for each of fiscal 2016 and fiscal 2015, and 28% and 34% of total revenues for fiscal 2016 and fiscal 2015, 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 (\$5,449,700 for fiscal 2016 and \$5,410,500 for fiscal 2015) 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 with 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

The Company continuously invests in 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. However, gross revenues derived from such other Benchtop Laboratory Equipment products only amounted to \$2,718,300 for fiscal 2016 and \$2,716,100, for fiscal 2015. 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 produce new products. Such products are of a complex nature 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 such products 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 may have a negative impact on the availability of funding including government or academic grants to potential customers.

As discussed in Item 1, the Company has significant sales to overseas customers. The rising dollar against foreign currencies has a negative impact on sales, because the Company's products, which are paid in dollars, become more expensive.

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 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 Instruments 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 2, 2016, 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 2016 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 10 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 2016.

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 2015 and fiscal 2016, 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>
09/30/14	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
09/30/15	2.43	3.00
12/31/15	2.51	3.25
03/31/16	2.51	2.90
06/30/16	2.66	2.98

As of September 2, 2016, there were 317 record holders of the Company's 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 reflected income before income tax expense of \$218,900 for fiscal 2016 compared to a loss before income tax benefit of \$7,300 for fiscal 2015, primarily due to the higher sales and profits from the Catalyst Research Instruments operations and higher profits from the Benchtop Laboratory Equipment operations, partially offset by losses incurred by the Bioprocessing Systems operations. The results reflected non-cash amounts for depreciation, amortization, and impairment of intangible assets of \$641,600 for fiscal 2016 and \$434,800 for fiscal 2015.

Results of Operations. Net sales for fiscal 2016 increased \$1,749,200 (22.3%) to \$9,597,600 from \$7,848,400 for fiscal 2015, reflecting increases of \$1,716,900 (74.1%) in net sales of catalyst research instruments, due to the large order to an overseas customer and \$39,200 (.7%) in benchtop laboratory equipment sales, partially offset by a decrease of \$6,900 (5.7%) in the Bioprocessing Systems operations revenues. The benchtop laboratory equipment sales reflected \$1,175,800 of Torbal brand product sales for fiscal 2016, compared to \$1,120,500 in fiscal 2015. The Company's Bioprocessing Systems operations, which began selling its new products expected to soon be fully marketable, reflected sales of \$22,000 of such new products.

Sales of catalyst research instruments are comprised of a small number of large orders, historically averaging more than \$100,000 each, while the sales of benchtop laboratory equipment comprise of a large number of small orders. As of June 30, 2016, the order backlog for catalyst research instruments was \$995,000, all of which is expected to be shipped during fiscal year ending June 30, 2017, compared to \$2,570,400 as of June 30, 2015.

Revenues derived from the Bioprocessing Systems Operations comprise primarily of net royalties received from sublicensees. The Company expects to start launching new products currently under development during the fiscal year ending June 30, 2017, although no assurance can be given.

The gross profit percentage for fiscal 2016 was 40.8% compared to 39.8% for fiscal 2015 due to higher margins on sales of catalyst research instruments resulting from a significant order in fiscal 2016, and higher margins on sales of benchtop laboratory equipment due to lower overhead costs.

General and administrative expenses for fiscal 2016 decreased \$5,700 (0.3%) to \$1,695,200 compared to \$1,700,900 for fiscal 2015.

Selling expenses for fiscal 2016 increased \$370,100 (35.4%) to \$1,415,400 from \$1,045,300 from for fiscal 2015 due primarily to increased outside sales commissions for the Catalyst Research Instruments operations related to a large overseas order.

Research and development expenses decreased by \$43,200 (11.0%) to \$349,000 for fiscal 2016 compared to \$392,200 for fiscal 2015, primarily due to decreased new product development costs incurred by the Benchtop Laboratory Equipment operations, partially offset by higher product development costs incurred by the Bioprocessing Systems operations.

Total other expense was \$26,100 for fiscal 2016 compared to \$9,500 income in fiscal 2015, due to the interest expense related to the financing of a large order for catalyst research instruments.

Income tax expense for fiscal 2016 was \$53,300 compared to a tax benefit of \$16,000 for the prior year due to the income for the current year.

As a result of the foregoing, the Company recorded net income for fiscal 2016 of \$165,600, compared to net income of \$8,700 for fiscal 2015.

Liquidity and Capital Resources. Cash and cash equivalents increased by \$763,000 to \$1,245,000 as of June 30, 2016 from \$482,000 as of June 30, 2015.

Net cash provided by operating activities was \$880,400 for fiscal 2016 compared to \$147,400 for fiscal 2015, primarily due to increased income, increased accounts payable and accrued expenses amounts, and an amount for impairment of intangible assets and a change in fair value of contingent consideration.

Net cash provided by investing activities was \$194,400 for fiscal 2016 compared to net cash used of \$250,700 for fiscal 2015 primarily due to the release of previously held restricted cash as collateral for the Company's working capital line of credit with its bank. The Company used \$311,800 in financing activities in fiscal 2016 compared to cash provided of \$91,600 in fiscal 2015, primarily due to the repayment of certain notes payable. The Company borrowed \$970,000 under the export-import line of credit during fiscal 2016 to finance a large order of catalyst research instruments and repaid the debt at the end of fiscal 2016.

The Company's working capital increased by \$620,600 to \$4,031,900 as of June 30, 2016 compared to \$3,411,300 as of June 30, 2015, mainly due to improved operating results excluding depreciation and amortization.

The Company has two lines of credit through June 2017 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 \$200,000, bearing interest at prime plus 1% 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 3.50%. Advances on both lines are 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, 2016 no borrowings were outstanding under either line.

Management believes that the Company will be able to meet its cash flow needs during the 12 months ending June 30, 2017 from its available financial resources including the lines of credit, its cash and investment securities, and operations.

Capital Expenditures. During fiscal 2016, the Company incurred \$92,000 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, 2017.

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-F25.

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, 2016 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, 2016, 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 80), 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 91), a Director since 1965, has been retired for the last five years.

Grace S. Morin (age 68), 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 52), 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 80), 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, 2016 – one director (Ms. Morin, Class B), the fiscal year ending June 30, 2017 – two directors (Mr. Cremonese and Mr. Knowles, Class C), and the fiscal year ending June 30, 2018 – two directors (Ms. Santos and Mr. Segasture, Class A).

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 2016 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 2016, 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 2016. 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 55), 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 71) has been Director of Sales and Marketing of Altamira, which has conducted the Catalyst Research Instruments operations 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 37), 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 2016, 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.

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, 2016 and 2015.

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	2016	157,100	0	0	0	0	0	0	6,300(1)	163,400
	2015	154,000	0	0	0	0	0	0	6,200(1)	160,200
Robert P. Nichols, Exec. V. P.	2016	141,800	0	0	1,200(2)	0	0	0	5,700(1)	148,700
	2015	139,000	0	0	1,200(2)	0	0	0	5,600(1)	145,800
Brookman P. March, Director of Sales and Marketing, and President of Altamira	2016	142,800	0	0	1,200(3)	0	0	0	5,700(1)	149,700
	2015	140,000	0	0	2,800(3)	0	0	0	5,600(1)	148,400
Karl D. Nowosielski, President of Torbal Division and Director of Marketing	2016	141,900	0	0	9,500(4)	0	0	0	5,700(1)	157,100
	2015	140,500	0	0	7,100(4)	0	0	0	5,600(1)	153,200

(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 2016 and 2015.

(3) The amounts represent compensation expense for the 2014 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 2016 and 2015.

(4) The amounts represent compensation expense for the 2016 and 2015 stock options granted 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 \$9,500 and \$7,100, respectively, all of which was expensed as stock based compensation in the respective periods.

GRANTS OF PLAN-BASED AWARDS IN FISCAL YEAR ENDED JUNE 30, 2016

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	02/26/16	0	0	0	5,000	3.05	9,500

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Option Awards					
Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (d)	Option Exercise Price (\$) (e)	Option Expiration Date (f)
Brookman P. March	6,334	666	0	3.50-3.71	05/2022-12/2023
Robert P. Nichols	1,334	666	0	3.50	12/2023
Karl D. Nowosielski	2,667	8,333	0	3.05-4.05	02/2024-02/2026

Employment Agreements

In May 2016, The Company extended the existing employment agreements with Ms. Helena R. Santos and Robert P. Nichols to June 30, 2017. The agreements provide for annual base salaries for the fiscal years ending June 30, 2017, for Ms. Santos of \$162,000 and \$146,000 for Mr. Nichols. 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 2016 or 2015.

In May 2016, the Company extended the existing employment agreement with Mr. March through June 30, 2017. The agreement provides for an annual base salary of \$147,000. Bonuses, if any, may be awarded at the discretion of the Board of Directors. No bonuses were awarded for fiscal 2016 or 2015. 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.

The employment agreements for Ms. Santos, Mr. Nichols, Mr. March, and Mr. Nowosielski contain 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, 2016

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	30,000	0	0	0	0	0	43,200(1)	73,200
Roger B. Knowles	13,900	0	0	0	0	0	0	13,900
Grace S. Morin	13,900	0	0	0	0	0	5,800(2)	19,700
James S. Segasture	13,900	0	0	0	0	0	0	13,900

(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 \$1,500 for each meeting attended. In addition, the Company reimburses each Director for out-of-pocket expenses incurred in connection with attendance at board meetings. Mr. Cremonese, as Chairman of the Board receives an additional fee of \$1,400 per month. During fiscal 2016, total director compensation to non-employee Directors aggregated \$120,700, including the consulting fees paid to Mr. Cremonese's affiliate, and to Ms. Morin.

Since December 1, 2003, Mr. Joseph G. Cremonese, has been awarded a total of 45,000 stock options under the Company's 2002 and 2012 Stock Option Plans of which 20,000 remain unexercised. None of the other directors have options outstanding.

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

The following table sets forth, as of June 30, 2016, 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	90,000 (3)	6.0%
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 (7)	1.4%
Brookman P. March	89,950 (8)	6.0%
Karl D. Nowosielski	11,000 (9)	0.8%
All directors and executive officers as a group (8 persons)	404,223 (10)	26.4%

- (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, Inc. on February 26, 2014.
- (3) Based on information reported in his Schedule 13D filed with the Securities and Exchange Commission on December 10, 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) Includes 2,000 shares issuable upon exercise of options.
- (8) Represents 82,950 shares owned by Ms. Morin, his wife and 7,000 shares issuable upon exercise of options.
- (9) Represents shares issuable upon exercise of options.
- (10) Includes 40,000 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, 2016.

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	43,500	3.33	79,500
Equity Compensation plans not approved by security holders	N/A	N/A	N/A
Total	43,500	3.33	79,500

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, 2016. 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 pursuant to the agreement for each of fiscal 2016 and 2015.

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, 2016 at the rate of \$85 per hour, resulting in payments of \$5,800 and \$4,300 for fiscal 2016 and fiscal 2015, 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 2016 and fiscal 2015.

The Company incurred for the services of the Firm fees of approximately \$67,000 and \$65,000 for fiscal 2016 and 2015, 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).
4(c)	Amendment to the Company's 2012 Stock Option Plan (Filed as Exhibit 4(c) to the Company's Quarterly Report on Form 10-Q filed on May 12, 2016 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(b)-8 Agreement extension dated May 25, 2016 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 May 31, 2016, 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(c)-8 Agreement extension dated May 25, 2016 to amend employment agreement with Mr. Nichols (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on May 31, 2016, 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(d)-9 Agreement extension dated January 7, 2016 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 26, 2016, 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(i)-6 Agreement extension dated May 25, 2016 to amend employment agreement (filed as Exhibit 10A-1 to the Company's Current Report on Form 8-K filed on May 31, 2016, 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(m)-2 Agreement dated January 7, 2016 to extend Consulting Agreement (filed as Exhibit 10A-2 to the Company's Current Report on Form 8-K filed on January 26, 2016, 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(w)-1 Commercial Security Agreement dated July 5, 2016 by and among the Company, and First National Bank of Pennsylvania.
- 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: October 11, 2016

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	October 11, 2016
<u>/s/ Joseph G. Cremonese</u> Joseph G. Cremonese	Chairman of the Board	October 11, 2016
<u>/s/ Roger B. Knowles</u> Roger B. Knowles	Director	October 11, 2016
<u>/s/ Grace S. Morin</u> Grace S. Morin	Director	October 11, 2016
<u>/s/ James S. Segasture</u> James S. Segasture	Director	October 11, 2016

**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: October 11, 2016

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, 2016 (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: October 11, 2016

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, 2016 AND 2015**

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES
AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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NUSSBAUM YATES
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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, 2016 and 2015, and the related consolidated statements of income, comprehensive income, 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, 2016 and 2015, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Nussbaum Yates Berg Klein & Wolpow, LLP

Melville, New York
October 11, 2016

An independently owned member
RSM US Alliance



SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents	\$ 1,245,000	\$ 482,000
Restricted cash	-	300,000
Investment securities	290,100	281,800
Trade accounts receivable, less allowance for doubtful accounts of \$11,600 in 2016 and 2015	1,231,900	1,081,700
Inventories	2,412,100	2,213,700
Prepaid expenses and other current assets	47,200	68,600
Deferred taxes	<u>140,600</u>	<u>114,200</u>
Total current assets	5,366,900	4,542,000
Property and equipment, net	251,100	235,200
Intangible assets, net	897,600	1,451,900
Goodwill	705,300	705,300
Other assets	52,500	52,500
Deferred taxes	<u>275,900</u>	<u>154,500</u>
Total assets	<u>\$ 7,549,300</u>	<u>\$ 7,141,400</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 342,400	\$ 227,600
Customer advances	-	76,400
Accrued expenses and taxes, current portion	849,700	519,900
Contingent consideration, current portion	136,500	106,800
Notes payable, current portion	<u>6,400</u>	<u>200,000</u>
Total current liabilities	1,335,000	1,130,700
Accrued expenses, less current portion	60,000	-
Notes payable, less current portion	12,500	-
Contingent consideration payable, less current portion	<u>209,800</u>	<u>260,300</u>
Total liabilities	<u>1,617,300</u>	<u>1,391,000</u>
Shareholders' equity:		
Common stock, \$.05 par value; authorized 7,000,000 shares; issued 1,508,914 shares in 2016 and 2015	75,400	75,400
Additional paid-in capital	2,498,500	2,486,700
Accumulated other comprehensive income (loss)	900	(3,300)
Retained earnings	<u>3,409,600</u>	<u>3,244,000</u>
Total equity	5,984,400	5,802,800
Less common stock held in treasury at cost, 19,802 shares	<u>52,400</u>	<u>52,400</u>
Total shareholders' equity	<u>5,932,000</u>	<u>5,750,400</u>
Total liabilities and shareholders' equity	<u>\$ 7,549,300</u>	<u>\$ 7,141,400</u>

See notes to consolidated financial statements.

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Revenues	\$ 9,597,600	\$ 7,848,400
Cost of revenues	<u>5,680,300</u>	<u>4,726,800</u>
Gross profit	<u>3,917,300</u>	<u>3,121,600</u>
Operating expenses:		
General and administrative	1,695,200	1,700,900
Selling	1,415,400	1,045,300
Research and development	349,000	392,200
Impairment of intangible assets	<u>212,700</u>	<u>-</u>
Total operating expenses	<u>3,672,300</u>	<u>3,138,400</u>
Income (loss) from operations	<u>245,000</u>	<u>(16,800)</u>
Other income (expense):		
Interest income	6,000	4,300
Other income, net	1,800	9,400
Interest expense	<u>(33,900)</u>	<u>(4,200)</u>
Total other income (expense), net	<u>(26,100)</u>	<u>9,500</u>
Income (loss) before income tax expense (benefit)	<u>218,900</u>	<u>(7,300)</u>
Income tax expense (benefit):		
Current	202,500	18,700
Deferred	<u>(149,200)</u>	<u>(34,700)</u>
Total income tax expense (benefit)	<u>53,300</u>	<u>(16,000)</u>
Net income	<u>\$ 165,600</u>	<u>\$ 8,700</u>
Basic earnings per common share	<u>\$.11</u>	<u>\$.01</u>
Diluted earnings per common share	<u>\$.11</u>	<u>\$.01</u>
Weighted average common shares outstanding, basic	<u>1,489,112</u>	<u>1,478,126</u>
Weighted average common shares outstanding, assuming dilution	<u>1,489,387</u>	<u>1,479,882</u>

See notes to consolidated financial statements.

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Net income	\$ 165,600	\$ 8,700
Other comprehensive income (loss):		
Unrealized holding gain (loss) arising during period, net of tax	<u>4,200</u>	<u>(4,400)</u>
Comprehensive income	<u>\$ 169,800</u>	<u>\$ 4,300</u>

See notes to consolidated financial statements.

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<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, 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	<u>-</u>	<u>-</u>	<u>4,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,900</u>
Balance, June 30, 2015	1,508,914	75,400	2,486,700	(3,300)	3,244,000	19,802	52,400	5,750,400
Net income	-	-	-	-	165,600	-	-	165,600
Unrealized holding gain on investment securities, net of tax	-	-	-	4,200	-	-	-	4,200
Stock-based compensation	<u>-</u>	<u>-</u>	<u>11,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,800</u>
Balance, June 30, 2016	<u>1,508,914</u>	<u>\$ 75,400</u>	<u>\$2,498,500</u>	<u>\$ 900</u>	<u>\$ 3,409,600</u>	<u>19,802</u>	<u>\$52,400</u>	<u>\$5,932,000</u>

See notes to consolidated financial statements.

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Operating activities:		
Net income	<u>\$ 165,600</u>	<u>\$ 8,700</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	428,900	434,800
Impairment of intangible assets	212,700	-
Gain on sale of property and equipment	(300)	-
Deferred income tax benefit	(149,200)	(34,700)
Loss on sale of investment securities	-	4,200
Income tax benefit of stock options exercised	-	4,900
Stock-based compensation	11,800	10,900
Change in fair value of contingent consideration	110,000	-
Changes in operating assets and liabilities:		
Trade accounts receivable	(150,200)	(325,000)
Inventories	(198,400)	95,500
Prepaid and other current assets	21,400	54,500
Other assets	-	(24,300)
Accounts payable	114,800	(146,100)
Customer advances	(76,400)	(13,100)
Accrued expenses and taxes	<u>389,700</u>	<u>77,100</u>
Total adjustments	<u>714,800</u>	<u>138,700</u>
Net cash provided by operating activities	<u>880,400</u>	<u>147,400</u>
Investing activities:		
(Increase) decrease in restricted cash	300,000	(300,000)
Proceeds from sale of property and equipment	3,000	-
Purchase of investment securities, available for sale	(2,700)	(3,800)
Redemption of investment securities, available for sale	-	127,000
Capital expenditures	(92,000)	(67,300)
Purchase of other intangible assets	<u>(13,900)</u>	<u>(6,600)</u>
Net cash provided by (used in) investing activities	<u>194,400</u>	<u>(250,700)</u>
Financing activities:		
Proceeds from notes	20,000	200,000
Principal payments on notes payable	(201,000)	(26,700)
Line of credit proceeds	970,000	250,000
Line of credit repayments	(970,000)	(250,000)
Payments for contingent consideration	(130,800)	(132,900)
Proceeds from exercise of stock options	<u>-</u>	<u>51,200</u>
Net cash provided by (used in) financing activities	<u>(311,800)</u>	<u>91,600</u>

See notes to consolidated financial statements.

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Net increase (decrease) in cash and cash equivalents	763,000	(11,700)
Cash and cash equivalents, beginning of year	<u>482,000</u>	<u>493,700</u>
Cash and cash equivalents, end of year	<u>\$ 1,245,000</u>	<u>\$ 482,000</u>
Supplemental disclosures:		
Cash paid during the period for:		
Income taxes	\$ 34,500	\$ 1,800
Interest	33,900	4,200

See notes to consolidated financial statements.

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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, 2016 AND 2015

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, 2016 and 2015, \$497,200 and \$50,000 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, 2016 AND 2015

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, 2016 and 2015 there was no impairment of goodwill.

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. For the year ended June 30, 2016, the Company determined that the intangible assets of SBI were impaired, and accordingly an impairment charge of \$212,700 was recorded.

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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 \$79,800 and \$79,400 for the years ended June 30, 2016 and 2015, 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. Non-incentive stock options shall be granted at the fair market value of the shares of Common Stock on the date of grant. At June 30, 2016 and 2015, 79,500 and 84,500 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, 2016 AND 2015

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, 2016 and 2015, the Company granted 5,000 and 4,000 options, respectively, to employees that had a fair value of \$9,500 and \$7,100, respectively. The fair value of the options granted during fiscal year 2016 and 2015 were determined using the Black-Scholes-Merton option-pricing model. The weighted average assumptions used for fiscal 2016 and 2015, was an expected life of 10 years; risk free interest rate of 1.82% and 1.93%; volatility of 51% and 52%, and dividend yield of 0% for both years. The Company did not declare dividends during the years ended June 30, 2016 and 2015. Therefore a zero value for the expected dividend value factor was used to determine the fair value of options granted. The weighted-average value per share of the options granted in 2016 and 2015 was \$1.89 and \$1.77, and total stock-based compensation costs were \$11,800 and \$10,900 for the years ended June 30, 2016 and 2015, respectively. Stock-based compensation costs related to nonvested awards expected to be recognized in the future are \$1,000 and \$3,300 as of June 30, 2016 and 2015, 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 Per Common Share

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

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 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 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. The Company does not expect the adoption to 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 does not expect the adoption to have a material impact on its financial condition, results of operations or cash flows.

In November 2015, the FASB issued new guidance simplifying the balance sheet classification of deferred taxes. The new guidance requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the new guidance. The guidance is effective for public companies for interim and annual reporting periods beginning after December 15, 2016, with early adoption permitted as of the beginning of an interim or annual reporting period. The new guidance may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company does not expect the adoption to have a material impact on its financial condition, results of operations or cash flows.

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

In February 2016, the FASB issued authoritative guidance that requires lessees to account for most leases on their balance sheets with the liability being equal to the present value of the lease payments. The right-of-use asset will be based on the lease liability adjusted for certain costs such as direct costs. Lease expense will be recognized similar to current accounting guidance with operating leases resulting in a straight-line expense and financing leases resulting in a front-loaded expense similar to the current accounting for capital leases. This guidance becomes effective for the Company's fiscal 2020 first quarter, with early adoption permitted. This guidance must be adopted using a modified retrospective transition approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, and provides for certain practical expedients. The Company is currently evaluating the timing, impact and method of applying this guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" (ASU 2016-09). Areas for simplification in this update involve several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for interim and annual reporting periods beginning after December 15, 2016, with early application permitted. The Company is currently evaluating the timing, impact and method of applying this guidance on its consolidated financial statements.

2. 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").

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

2. Segment Information and Concentrations (Continued)

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, 2016:					
Revenues	\$ 5,449,700	\$ 4,032,800	\$ 115,100	\$ -	\$ 9,597,600
Foreign Sales	2,414,600	2,674,300	-	-	5,088,900
Income (Loss) From Operations	223,800	479,500	(458,300)	-	245,000
Assets	4,120,700	2,292,100	429,900	706,600	7,549,300
Long-Lived Asset Expenditures	92,500	4,000	9,400	-	105,900
Depreciation, Amortization and Impairment	299,000	31,900	310,700	-	641,600
	<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

During the year ended June 30, 2016, one customer accounted for approximately 26% of total revenues.

3. Fair Value of Financial Instruments

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

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

3. Fair Value of Financial Instruments (Continued)

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.

In valuing assets and liabilities, the Company is required to maximize the use of quoted market prices and minimize the use of unobservable inputs. The Company calculated the fair value of its Level 1 and 2 instruments based on the exchange traded price of similar or identical instruments where available or based on other observable instruments. These calculations take into consideration the credit risk of both the Company and its counterparties. The Company has not changed its valuation techniques in measuring the fair value of any financial assets and liabilities during the period.

The fair value of the contingent consideration obligations are based on a probability weighted approach derived from the estimates of earn-out criteria and the probability assessment with respect to the likelihood of achieving those criteria. The measurement is based on significant inputs that are not observable in the market, therefore, the Company classifies this liability as Level 3 in the table below:

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, 2016 and 2015 according to the valuation techniques the Company used to determine their fair values:

	Fair Value at June 30, 2016	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$ 1,245,000	\$ 1,245,000	\$ -	\$ -
Available for sale securities	<u>290,100</u>	<u>290,100</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,535,100</u>	<u>\$ 1,535,100</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Contingent consideration	<u>\$ 346,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 346,300</u>

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

3. Fair Value of Financial Instruments (Continued)

	Fair Value at June 30, 2015	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
Assets:				
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>	-	-
Total	<u>\$ 1,063,800</u>	<u>\$ 1,063,800</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Contingent consideration	<u>\$ 367,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,100</u>

The following table sets forth an analysis of changes during fiscal years 2016 and 2015 in Level 3 financial liabilities of the Company:

	2016	2015
Beginning balance	\$ 367,100	\$ 500,000
Increase in contingent consideration liability	110,000	-
Payments	<u>(130,800)</u>	<u>(132,900)</u>
Ending balance	<u>\$ 346,300</u>	<u>\$ 367,100</u>

The Company's contingent obligations require cash payments to the sellers of certain acquired operations based on royalty payments received or operating results achieved. These contingent considerations are classified as liabilities and the liabilities are remeasured to an estimated fair value at each reporting date. During the year ended June 30, 2016, the Company recorded an increase in the estimated fair value of contingent liabilities of approximately \$110,000 related to its Bioprocessing Systems Operations segment.

Investments in marketable securities classified as available-for-sale by security type at June 30, 2016 and 2015 consisted of the following:

	Cost	Fair Value	Unrealized Holding Gain (Loss)
At June 30, 2016:			
Available for sale:			
Equity securities	\$ 29,300	\$ 40,700	\$ 11,400
Mutual funds	<u>259,900</u>	<u>249,400</u>	<u>(10,500)</u>
	<u>\$ 289,200</u>	<u>\$ 290,100</u>	<u>\$ 900</u>

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

3. Fair Value of Financial Instruments (Continued)

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Holding Gain (Loss)</u>
At June 30, 2015:			
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>

4. Inventories

	<u>2016</u>	<u>2015</u>
Raw materials	\$ 1,529,800	\$ 1,420,800
Work-in-process	425,300	442,900
Finished goods	<u>457,000</u>	<u>350,000</u>
	<u>\$ 2,412,100</u>	<u>\$ 2,213,700</u>

5. Property and Equipment

	<u>Useful Lives (Years)</u>	<u>2016</u>	<u>2015</u>
Automobiles	5	\$ 22,000	\$ 14,900
Computer equipment	3-5	162,200	159,000
Machinery and equipment	3-7	803,300	741,600
Furniture and fixtures	4-10	205,900	205,900
Leasehold improvements	3-10	<u>34,200</u>	<u>29,100</u>
		1,227,600	1,150,500
Less accumulated depreciation and amortization		<u>976,500</u>	<u>915,300</u>
		<u>\$ 251,100</u>	<u>\$ 235,200</u>

Depreciation expense was \$76,300 and \$84,200 for the years ended June 30, 2016 and 2015, respectively.

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

6. 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, 2016 and 2015, 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, 2016:				
Technology, trademarks	5/10 yrs.	\$ 722,800	\$ 468,800	\$ 254,000
Trade names	6 yrs.	140,000	54,400	85,600
Websites	5 yrs.	210,000	98,000	112,000
Customer relationships	9/10 yrs.	357,000	261,600	95,400
Sublicense agreements	10 yrs.	294,000	136,000	158,000
Non-compete agreements	5 yrs.	384,000	239,100	144,900
IPR&D	3 yrs.	110,000	85,500	24,500
Other intangible assets	5 yrs.	<u>177,900</u>	<u>154,700</u>	<u>23,200</u>
		<u>\$ 2,395,700</u>	<u>\$ 1,498,100</u>	<u>\$ 897,600</u>

	<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>

Total amortization expense was \$352,600 and \$350,600 in 2016 and 2015, respectively.

Estimated future amortization expense of intangible assets is as follows:

<u>Fiscal Years</u>	
2017	\$ 297,300
2018	288,500
2019	210,600
2020	45,100
2021	43,500
Thereafter	<u>12,600</u>
	<u>\$ 897,600</u>

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

7. Lines of Credit

The Company has two 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 provided 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%. In June 2016, this line was amended to provide for borrowings up to \$200,000 through June 2017 bearing interest at prime plus 1% and an annual fee of 1.75%. The Company also has a Demand Line of Credit which provides for borrowings of up to \$300,000 for regular working capital needs, bearing interest at prime, currently 3.50% expiring June 2017. Through June 2016, the Company was required to maintain a cash collateral account of \$300,000 to support the Demand Line of Credit. 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, 2016 and 2015, there were no borrowings outstanding under either line.

8. Notes Payable

The Company has a \$20,000 36-month auto loan through April 2019, with its bank, with monthly payments of \$600 bearing interest at 4% for a vehicle used by the Company's sales manager. The outstanding balance remaining on this loan as of June 30, 2016 was \$18,900 with principal payments of \$6,400, \$6,700 and \$5,800 due over the next three fiscal years.

In May 2015, the Company borrowed \$200,000 under unsecured notes from two shareholders, one of whom is a Director of the Company, which were paid in June 2016, with interest at 5%.

9. 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 \$69,500 and \$66,400 for the years ended June 30, 2016 and 2015, respectively.

10. 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 \$170,000 under the terms of the lease. Rental expense for the Bohemia facility amounted to approximately \$170,000 in 2016 and \$199,400 in 2015. Accrued rent, payable in future years, amounted to \$48,800 and \$46,700 at June 30, 2016 and 2015, respectively.

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

10. Commitments and Contingencies (Continued)

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 \$105,400 and \$99,000 for the fiscal years ended June 30, 2016 and 2015, respectively.

In addition, the Company maintained an operating facility in Clifton, New Jersey 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 to pay \$24,000 in fiscal 2015 for an early lease termination fee for the Clifton facility. Total rent expense for the New Jersey facilities, was \$23,300 and \$25,700 for the years ended June 30, 2016 and 2015, respectively.

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

<u>Fiscal Years</u>	
2017	\$ 260,200
2018	268,800
2019	205,000
2020	174,000
2021	179,300
Thereafter	<u>841,600</u>
	<u>\$ 1,928,900</u>

The Company has employment contracts with its President providing for an annual base salary of \$162,000 for the fiscal year ending June 30, 2017 and with its Executive Vice President providing for an annual base salary of \$146,000 for the fiscal year ending June 30, 2017. Both contracts also provide for discretionary performance bonuses. No bonuses were awarded for the fiscal years ended June 30, 2016 or 2015 to either executive.

The Company has an employment contract with the President of Altamira through June 30, 2017, which may be extended by mutual consent for an additional year. The contract provides for an annual base salary of \$147,000 for the fiscal year ending June 30, 2017 plus discretionary bonuses. No bonuses were awarded for the fiscal years ended June 30, 2016 or 2015.

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 an additional 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, 2016 or 2015, however as part of the employment agreement, he was granted stock option awards representing 5,000 and 4,000 shares during the years ended June 30, 2016 and 2015 valued at \$9,500 and \$7,100 using the Black-Scholes-Merton option pricing model, respectively. In addition, he is to be granted, subject to his continued employment in February 2017 options for 6,000 shares.

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

10. Commitments and Contingencies (Continued)

The Company has a consulting agreement which expires on December 31, 2016 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. Consulting expense related to this agreement amounted to \$43,200 for both years ended June 30, 2016 and 2015.

The Company has a consulting agreement which expires December 31, 2016 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 \$5,800 and \$4,300 for the fiscal years ended June 30, 2016 and 2015, respectively.

In connection with a February 26, 2014 acquisition of a privately owned company, as of June 30, 2016, the Company remains obligated to make additional payments to the seller based on a percentage of net sales of the business acquired equal to 11% for the year ended June 30, 2017. Payments related to this contingent consideration for each period are due in September following the fiscal year. The Company is also required to make payments of 30% of the net royalties received from the license and sublicense acquired in the SBI acquisition in fiscal 2012. Total contingent consideration payments made for all acquisitions amounted to \$130,800 and \$132,900 for the years ended June 30, 2016 and 2015, respectively.

The fair value of contingent consideration estimated to be paid as of June 30, 2016 are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2017	\$ 136,500
2018	158,800
2019	16,000
2020	13,000
2021	10,000
Thereafter	<u>12,000</u>
	<u>\$ 346,300</u>

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

11. 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:

	2016		2015	
	Amount	% of Pre-tax Income	Amount	% of Pre-tax Income
Computed "expected" income tax (benefit)	\$ 76,600	35.0%	\$ (2,600)	(35.0%)
Research and development credits	(15,700)	(7.2)	(11,200)	(153.4)
Other, net	<u>(7,600)</u>	<u>(3.5)</u>	<u>(2,200)</u>	<u>(30.7)</u>
Income tax expense (benefit)	<u>\$ 53,300</u>	<u>24.3%</u>	<u>\$ (16,000)</u>	<u>(219.1%)</u>

Deferred tax assets and liabilities consist of the following:

	2016	2015
Deferred tax assets:		
Amortization of intangible assets	\$ 287,000	\$ 183,000
Research and development credits	-	24,800
Various accruals	132,800	60,800
Other	<u>48,900</u>	<u>46,100</u>
	468,700	314,700
Deferred tax liability:		
Depreciation of property and amortization of goodwill	<u>(52,200)</u>	<u>(46,000)</u>
Net deferred tax assets	<u>\$ 416,500</u>	<u>\$ 268,700</u>

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

	2016	2015
Current deferred tax assets	<u>\$ 140,600</u>	<u>\$ 114,200</u>
Long-term deferred tax assets	328,100	200,500
Long-term deferred tax liabilities	<u>(52,200)</u>	<u>(46,000)</u>
Net long-term deferred tax assets	<u>275,900</u>	<u>154,500</u>
Net deferred tax assets	<u>\$ 416,500</u>	<u>\$ 268,700</u>

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

11. Income Taxes (Continued)

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, 2016 and 2015, 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, 2013 and after. The Company does not anticipate any material amount of unrecognized tax benefits within the next 12 months.

12. Stock Options

Option activity is summarized as follows:

	Fiscal 2016		Fiscal 2015	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Shares under option:				
Outstanding, beginning of year	38,500	\$ 3.33	61,000	\$ 3.11
Granted	5,000	3.05	4,000	2.80
Exercised	-		(20,000)	2.56
Forfeited	-		<u>(6,500)</u>	3.07
Outstanding, end of year	<u>43,500</u>	<u>3.33</u>	<u>38,500</u>	<u>3.37</u>
Options exercisable at year-end	<u>32,200</u>	<u>\$ 3.43</u>	<u>27,200</u>	<u>\$ 3.10</u>
Weighted average fair value per share of options granted during the fiscal year		<u>\$ 3.05</u>		<u>\$ 2.80</u>

SCIENTIFIC INDUSTRIES, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

12. Stock Options (Continued)

As of June 30, 2016 Options Outstanding			As of June 30, 2016 Exercisable		
Range Exercise Prices	Number Outstanding	Weighted- Average Remaining Contractual Life (Years)	Weighted- Average Exercise Price	Number Outstanding	Weighted- Average Exercise Price
\$3.50 - \$4.05	20,000	7.13	\$ 3.64	13,700	\$ 3.65
\$3.07 - \$3.45	<u>23,500</u>	2.83	\$ 3.25	<u>18,500</u>	\$ 3.30
	<u>43,500</u>			<u>32,200</u>	
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>	

13. Earnings Per Common Share

Earnings per common share data was computed as follows:

	<u>2016</u>	<u>2015</u>
Net income	\$ 165,600	\$ 8,700
Weighted average common shares outstanding	1,489,112	1,478,126
Effect of dilutive securities	<u>275</u>	<u>1,756</u>
Weighted average dilutive common shares outstanding	<u>1,489,387</u>	<u>1,479,882</u>
Basic earnings per common share	\$.11	\$.01
Diluted earnings per common share	\$.11	\$.01

Approximately 20,000 and 26,000 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 years ended June 30, 2016 and 2015, because the effect would be anti-dilutive.