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SCIENTIFIC INDUSTRIES INC
Form PRRN14A
November 08, 2002

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant []
Filed by a Party other than the Registrant [X]

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

SCIENTIFIC INDUSTRIES, INC.
(Name of Registrant as Specified In Its Charter)

LOWELL KLEIMAN
(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
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 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
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PRELIMINARY COPY

Lowell A. Kleiman
c/o Warshaw Burstein Schlesinger & Kuh, LLP
555 Fifth Avenue, New York, NY 10017

PLEASE VOTE THE ENCLOSED BLUE PROXY TODAY!

November [], 2002

Dear Fellow Scientific Industries Stockholder:

As you may know, I am the former President, Chairman of the Board and Chief Executive Officer of Scientific Industries, Inc. (the "Company"). I remain one of the Company's largest stockholders as the owner of 139,581 shares, representing more than 14% of the Company's outstanding common stock and am still a member of the Board of Directors. However, the Company has decided not to re-nominate me to the Board, so I am running independently. My decision to run for the Board was made after a careful analysis of the Board's composition and my conclusion that the Board lacks a shareholder voice necessary for the future of the Company. I am running because I firmly believe that my continuing presence on the Board is critical to the growth of the Company and necessary to protect both your investment and mine. Therefore, I am soliciting BLUE proxies to be used at the 2002 Scientific Industries Annual Meeting scheduled to be held on November 18, 2002.

During the last six years of my employment with the Company, I grew increasingly critical of my fellow Board members and, I am convinced that this criticism led to my ultimate dismissal from the Company. Now, as a concerned stockholder and someone who believes that Scientific Industries is currently poised for strategic growth, I am contesting the election of one of management's nominees, Roger Knowles.

Please take a moment to sign, date and return the enclosed BLUE proxy card in order to vote FOR my reelection to the Board of Directors FOR the 2002 Stock Option Plan, FOR my stockholder proposal to require stockholder approval of option grants to non-employee directors and to otherwise limit the number of shares that may be issued to them. Send a clear message to management that you are concerned about the value of your investment- vote your BLUE proxy card today!

EXPERIENCED LEADERSHIP IS NEEDED AT THIS CRITICAL MOMENT FOR THE
GROWTH OF OUR COMPANY

Prior to being summarily fired by the Company on August 29, 2002, I had proposed to the Board a strategic business plan designed to establish a foundation for the growth of the Company. Essentially, I presented a plan whereby Scientific Industries would continue to expand its product base taking advantage of our established name recognition with a significant marketing program so that, within a few years' time we would no longer be operating as a one-product company. Although the Board initially rejected my plan, it now appears that they are prepared to act on certain parts of my proposal, including my proposal pertaining to the development of new products. However, it also

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appears, and I am very concerned, that the Board is not prepared to allocate the necessary financial resources for research and development, as well as for marketing, in order to achieve a meaningful increase in sales volume within the next few years. It was this near term increase in sales volume which was at the core of my plan.

After years of responsible leadership by me and the capable management team I hired, I was proud that we were able to achieve financial stability for the Company. I believe that Scientific Industries is no longer undercapitalized and that the capital that was generated during my tenure should be dedicated to the growth of our Company. However, as indicated above, I am concerned that the current Board may not be prepared to allocate sufficient capital towards strengthening our Company.

MY GOAL IS THE SAME AS YOURS - STOCKHOLDER VALUE

As one of the largest stockholders of Scientific Industries, I have a significant financial interest in the performance of the Company. By reelecting me to the Board of Directors, you will have a Director whose interests will be aligned with yours as a stockholder. As a director who has an in-depth understanding of both the Company and the industry in which it operates, I will provide a voice for all stockholders and will vigorously oppose any plan that could be contrary to our goals as investors.

THE 2002 STOCK OPTION PLAN - WE MADE CHANGE HAPPEN!

When the Company mailed its proxy material to you on October 17, 2002, it included a provision for stockholders to approve a Stock Option Plan which contained no restrictions on the number of options which could be granted to non-employee directors. When this Stock Option Plan was originally discussed with the Board on September 26, 2002, I strenuously objected to the fact that there was no such restriction. Although I had previously voted in favor of prior grants to non-employee directors, my opposition now is grounded in my belief that the non-employee members of the Board had already benefited from too many option grants, to the detriment of the Company. In fact, since January 1, 1992, the Company has granted a total of 385,000 options, of which 176,000, or 46%, were granted to non-employee Directors.

Subsequent to the Company mailing its proxy material to stockholders, I notified the Company of my intention to seek election as a director, and I also mailed a letter to certain stockholders informing them of my intent and bringing to their attention the reasons I thought the Stock Option Plan was defective.

Thereafter on October 28, 2002, and in direct response to my actions, the Company modified the Stock Option Plan to impose restrictions on the grant of options to current non-employee directors. Needless to say, I am pleased to see my seeking to remain on the Board has already had a significant positive effect on the Board's actions.

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In my opinion, stock options can provide a useful and necessary means of employee remuneration. Since the Company's Stock Option Plan as modified moves a long way towards complying with my request, I now feel comfortable supporting the Plan

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MANAGEMENT KNOWS BEST?

Acknowledging that management now has in place a Stock Option Plan that I find acceptable, I have proposed that the Board adopt a policy requiring that all grants to non-employee directors be subject to stockholder approval and that the number of options eligible for non-employee directors be limited to 20% of any plan. I believe this policy will allow the Company to attract and retain talented employees and independent directors as well. However, in its proxy materials, management argues against any restrictions on grants to future non-employee directors and states that my proposal to require stockholder approval is "unreasonable, possibly motivated by vindictiveness." I take sharp exception to that characterization and encourage all stockholders to join with me in adopting this policy statement.

I NEED YOUR SUPPORT - PLEASE VOTE THE BLUE PROXY TODAY!

I have spent thirty-seven years of my career at Scientific Industries and, even though I accepted a salary that was well below the standard for comparable positions within our peer group of companies, I believed and continue to believe that Scientific Industries has a promising future. My belief has led me to launch this campaign, paid for from my own funds, in the hope that you will agree that the Company and its stockholders need and deserve my continued presence as a director to protect our investment.

Please take a moment now to sign date and return the enclosed BLUE proxy card. If you have any questions or require assistance in voting your shares, please call Dan Sullivan or Bob Sandhu of MacKenzie Partners, Inc. at (800) 322-2885 (toll free) or (212) 929-5500 (call collect).

Thank you for your support,
/sig. cut/

Lowell A. Kleiman

If you have any questions or need assistance in voting your BLUE proxy,
please contact Dan Sullivan or Bob Sandhu at the numbers listed below:

105 Madison Avenue
New York, New York 10010
proxy@mackenziepartners.com
Call Collect: (212) 929-5500
or
Toll-Free (800) 322-2885

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ANNUAL MEETING OF STOCKHOLDERS
OF
SCIENTIFIC INDUSTRIES, INC.

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PROXY STATEMENT
OF
LOWELL A. KLEIMAN

PLEASE MAIL THE ENCLOSED BLUE PROXY CARD

I am the former President and Chief Executive Officer as well as a current director and one of the largest stockholders of Scientific Industries, Inc., a Delaware corporation ("SCND" or the "Company"). I am writing to you in connection with the election of two directors to SCND's Board of Directors at the annual meeting of stockholders scheduled to be held at the Princeton Club, located at 15 West 43rd Street, New York, New York on November 18, 2002, at 10:30 A.M., including any adjournments or postponements thereof and any meeting which may be called in lieu thereof (the "Annual Meeting"). I am seeking to be re-elected as a director in opposition to one SCND's incumbent director nominee, Roger Knowles, whose term expires at the Annual Meeting. There can be no assurance that my election will maximize or otherwise enhance stockholder value or improve corporate governance.

This proxy statement (the "Proxy Statement") and the enclosed BLUE proxy card are being furnished to stockholders of SCND by me in connection with the solicitation of proxies from SCND's stockholders to be used at the Annual Meeting to elect me to the Board of Directors of SCND (the "SCND Board"). I have been a director of SCND since 1970 and served as President from 1974 until August 29, 2002. This Proxy Statement and the BLUE proxy card are first being furnished to SCND's stockholders on or about November __, 2002.

SCND has set the record date for determining stockholders entitled to notice of and to vote at the Annual Meeting as of September 27, 2002 (the "Record Date"). The principal executive offices of SCND are located at 70 Orville Drive, Bohemia, New York 11716. Stockholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting. According to SCND, as of the Record Date, there were 953,541 shares of common stock, \$0.05 par value per share (the "Shares"), outstanding and entitled to vote at the Annual Meeting. I am the beneficial owner of 139,581 Shares which represents approximately 14.7% of the Shares outstanding (based on information publicly disclosed by SCND). I intend to vote such Shares for my election as a director.

THIS SOLICITATION IS BEING MADE BY ME AND NOT ON BEHALF OF THE BOARD OF DIRECTORS OR MANAGEMENT OF SCND. I AM NOT AWARE OF ANY OTHER MATTERS TO BE BROUGHT BEFORE THE ANNUAL MEETING OTHER THAN THE PROPOSAL TO APPROVE THE 2002 STOCK OPTION PLAN OF THE COMPANY, RATIFICATION OF THE APPOINTMENT OF THE COMPANY'S AUDITORS AND TO ADOPT THE STOCKHOLDER PROPOSAL DESCRIBED IN THESE PROXY MATERIALS TO PLACE RESTRICTIONS ON THE GRANT OF STOCK OPTIONS TO NON-EMPLOYEE DIRECTORS IN THE EVENT THE PROPOSAL TO ADOPT THE 2002 STOCK OPTION PLAN IS APPROVED. SHOULD OTHER MATTERS, WHICH I AM NOT AWARE OF A REASONABLE TIME BEFORE THIS SOLICITATION, BE BROUGHT BEFORE THE ANNUAL MEETING, THE PERSONS NAMED AS PROXIES IN THE ENCLOSED BLUE PROXY CARD WILL VOTE ON SUCH MATTERS IN THEIR DISCRETION.

I URGE YOU TO SIGN, DATE AND RETURN THE BLUE PROXY CARD IN FAVOR OF MY ELECTION AS DIRECTOR IN LIEU OF MANAGEMENT'S NOMINEE, ROGER KNOWLES, ALL AS MORE FULLY DESCRIBED IN THIS PROXY STATEMENT.

IF YOU HAVE ALREADY SENT A PROXY CARD FURNISHED BY SCND MANAGEMENT TO THE SCND BOARD, YOU MAY REVOKE THAT PROXY AND VOTE AGAINST THE ELECTION OF SCND'S NOMINEES BY SIGNING, DATING AND RETURNING THE ENCLOSED BLUE PROXY CARD. THE LATEST DATED PROXY IS THE ONLY ONE THAT COUNTS. ANY PROXY MAY BE REVOKED AT ANY TIME PRIOR TO THE ANNUAL MEETING BY DELIVERING A WRITTEN NOTICE OF REVOCATION OR

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A LATER DATED PROXY FOR THE ANNUAL MEETING TO ME, C/O MACKENZIE PARTNERS, INC. WHICH IS ASSISTING IN THIS SOLICITATION, OR TO THE SECRETARY OF SCND, OR BY VOTING IN PERSON AT THE ANNUAL MEETING.

IMPORTANT

YOUR VOTE IS IMPORTANT, NO MATTER HOW MANY OR HOW FEW SHARES YOU OWN. I URGE YOU TO SIGN, DATE AND RETURN THE ENCLOSED BLUE PROXY CARD TODAY TO VOTE FOR MY RE-ELECTION, FOR RATIFICATION OF THE APPOINTMENT OF THE COMPANY'S AUDITORS, FOR THE STOCK OPTION PLAN AND FOR THE STOCKHOLDER PROPOSAL TO PLACE RESTRICTIONS ON THE GRANT OF STOCK OPTIONS TO NON-EMPLOYEE DIRECTORS IN THE EVENT THE PROPOSAL TO ADOPT THE 2002 STOCK OPTION PLAN IS APPROVED.

I am committed, subject to my fiduciary duty to SCND's stockholders, to maximizing the long-term value of your Shares. A vote FOR me will enable you - as the owners of SCND - to send a message to the SCND Board that you are committed to maximizing the value of your Shares.

- o If your Shares are registered in your own name, please sign and date the enclosed BLUE proxy card and return it to me, c/o MacKenzie Partners, Inc., in the enclosed envelope today.
- o If any of your Shares are held in the name of a brokerage firm, bank, bank nominee or other institution on the Record Date, only it can vote such Shares and only upon receipt of your specific instructions. Accordingly, please contact the person responsible for your account and instruct that person to execute on your behalf the BLUE proxy card. I urge you to confirm your instructions in writing to the person responsible for your account and to provide a copy of such instructions to me, c/o MacKenzie Partners, Inc., which is assisting me in this solicitation, at the address and telephone numbers set forth below so that we may be aware of all instructions and can attempt to ensure that such instructions are followed.

If you have any questions or need assistance in voting your BLUE proxy, please contact Dan Sullivan or Bob Sandhu at the numbers listed below:

105 Madison Avenue
New York, New York 10010
proxy@mackenziepartners.com
Call Collect: (212) 929-5500
or
Toll-Free (800) 322-2885

PROPOSAL I - ELECTION OF DIRECTORS

REASONS FOR THE SOLICITATION

I am asking you to re-elect me in order to:

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- o Remove Roger Knowles, an incumbent director up for re-election; and
- o elect a nominee that supports actions that I believe would give stockholders the greatest opportunity to maximize the long-term value of their Shares.

I believe that my re-election represents the best means for SCND's stockholders to maximize the value of their Shares. By electing me, I believe the Board will have a director who has an in-depth understanding of both the Company and the industry in which it operates. I will encourage the Company to allocate the resources necessary for research and development and marketing that I believe is important for the Company to achieve a meaningful increase in sales within the next few years. As one of the largest stockholders of SCND, I have a vested interest in the maximization of the value of the Shares. There can be no assurance that my election will maximize or otherwise enhance stockholder value.

MY BACKGROUND

The following information sets forth me, as nominee for director, my name, business address, present principal occupation, and employment and material occupations, positions, offices, or employments for the past five years. 7.

I, Lowell A. Kleiman (age 61), have been a Director of SCND since 1970 and had been employed by the Company for over thirty seven years, and served as President from September 1974 until August 29, 2002, when my employment with the Company was terminated. I am a citizen of the United States. My business address is c/o Warshaw Burstein Cohen Schlesinger & Kuh, LLP, 555 Fifth Avenue, New York, New York 10017.

There are no arrangements or understandings between me and any other person or persons pursuant to which the nomination described herein is to be made, other than the consent by me to be named in this Proxy Statement and to serve as a director of SCND if elected as such at the Annual Meeting. I have not been convicted in any criminal proceedings (excluding traffic violations or similar misdemeanors) over the past ten years. I am not a party adverse to SCND or any of its subsidiaries or have a material interest adverse to SCND or any of its subsidiaries in any material pending legal proceedings.

I expect that I will be able to stand for election, but, in the event that I am unable to serve or for good cause will not serve, the Shares represented by the enclosed BLUE proxy card will be voted for a substitute nominee. In addition, I reserve the right to nominate a substitute or additional person if SCND makes or announces any changes to its Bylaws or takes or announces any other action that has, or if consummated would have, the effect of disqualifying me. In any such case, the Shares represented by the enclosed BLUE proxy card will be voted for such substitute nominee.

The SCND Board is divided into three classes serving staggered three-year terms. Two directors are to be elected at the Annual Meeting to hold office until 2005 and until their successors are duly elected and qualify. The Board has nominated Roger Knowles and Joseph Cremonese to serve as Management's nominees.

In accordance with applicable proxy regulations, I intend to use my proxies to vote for one of the two individuals nominated by the Board to serve as a director. Further, I intend to use my proxy to vote for me and not Roger Knowles.

Stockholders who use the BLUE Proxy Card will be able to vote for me and one of the Company's nominees. The Company nominee for whom I do not intend to vote is Mr. Roger Knowles. Stockholders cannot vote for me and also vote for one of the Company's nominees using the Company's proxy card. Any stockholder who wishes to

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vote for me and Mr. Knowles will be required to vote by ballot at the 2002 Annual Meeting. Stockholders should refer to the Company's proxy statement for information concerning the Company's nominees. There is no assurance that any of the Company's nominees will serve as directors if I am re-elected to the Company's Board.

YOU ARE URGED TO VOTE FOR MY RE-ELECTION ON THE ENCLOSED BLUE PROXY CARD.
PROPOSAL 2 - ADOPTION OF THE 2002 STOCK OPTION PLAN

The Company has proposed the adoption of the 2002 Stock Option Plan ("Plan") which would permit the Company to issue options to purchase up to 261,000 shares of the Company's Common Stock. Inasmuch as the Plan being proposed by Management no longer permits the grant of options to current non-employee directors, I intend to vote for the Plan.

PROPOSAL 3 - APPOINTMENT OF INDEPENDENT AUDITORS

I have no objection to the ratification of the appointment of Nussbaum Yates & Wolpaw, P.C. as the Company's independent auditors for the fiscal year ending June 30, 2003. Please see the Management Proxy Statement for a description of this proposal.

PROPOSAL 4 - STOCKHOLDER PROPOSAL TO PLACE RESTRICTIONS ON STOCK OPTION GRANTS TO NON-EMPLOYEE DIRECTORS:

Lowell A. Kleiman, the holder of 139,581 shares of SCND Common Stock having a business address c/o Warshaw Burstein Cohen Schlesinger & Kuh, LLP, 555 Fifth Avenue, New York, New York 10017 hereby submits the following resolution for adoption by the stockholders of the Company at its Annual Meeting:

RESOLVED, that the stockholders of Scientific Industries, Inc. demand that the Board of Directors adopt a policy (a) requiring stockholder approval of all grants of stock options to non-employee directors of the Company and (b) prohibiting the aggregate number of options granted under any stock option plan to non-employee directors as a group to be in excess of 20% of the total number of options authorized under such plan.

SUPPORTING STATEMENT

There should be limits on the number of options that can be granted to non-employee directors. Since January 1, 1992, the Company has granted a total of 385,000 options (all but 48,000 of which were granted under the Company's stock option plan). Of these options 176,000, or 46%, were granted to non-employee directors (including 48,000 options that were granted outside of any stock option plan) while only 209,000, or 54%, of the options were granted to Company employees. As an employee director, I have been granted 80,000 options, representing 20.8% of all options granted. As a result of the grants to non-employee directors, according to the Company's Annual Report on Form 10-KSB, there were only 15,667 shares of common stock left available under the 1992 stock option plan for future grants at the time the plan expired in February 2002. I firmly believe that the grant of stock options to non-employee directors should be strictly limited and that any option plan should be designed to attract and retain talented employees.

VOTING AND PROXY PROCEDURES

Only stockholders of record on the Record Date will be entitled to notice of and to vote at the Annual Meeting. Each Share is entitled to one vote. Stockholders who sell Shares before the Record Date (or acquire them without voting rights

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after the Record Date) may not vote such Shares. Stockholders of record on the Record Date will retain their voting rights in connection with the Annual Meeting even if they sell such Shares after the Record Date. Based on publicly available information, I believe that the only outstanding class of securities of SCND entitled to vote at the Annual Meeting are the shares of common stock.

Shares represented by properly executed BLUE proxy cards will be voted at the Annual Meeting as marked and, in the absence of specific instructions, will be voted FOR the election of me and one of the Company's nominees to the Board, AGAINST the proposal to adopt the 2002 Stock Option Plan, FOR the proposal to ratify the ratification of the appointment of Nussbaum Yates & Wolpov, P.C. as the Company's independent auditors for the fiscal year ending June 30, 2003, and FOR the stockholder proposal limiting stock option grants to non-employee directors and in the discretion of the persons named as proxies on all other matters as may properly come before the Annual Meeting.

In accordance with applicable proxy regulations, I intend to use my proxies to vote for myself and for one of the two individuals nominated by the Board to serve as a director.

Stockholders who use the BLUE Proxy Card will be able to vote for me and one of the Company's two nominees. The Company nominee for whom I do not intend to vote is Mr. Roger Knowles. Stockholders cannot vote for me and also vote for one of the Company's nominees using the Company's proxy card.

QUORUM

In order to conduct any business at the Annual Meeting, a quorum must be present in person or represented by valid proxies. A quorum consists of a majority of the Shares issued and outstanding on the Record Date. All Shares that are voted "FOR", "AGAINST" or "ABSTAIN" on any matter will count for purposes of establishing a quorum and will be treated as Shares entitled to vote at the Annual Meeting (the "Votes Present").

ABSTENTIONS

Abstentions will count as Votes Present and shall have the same effect as a vote against a matter (other than in the election for the Board of Directors). While there is no definitive statutory or case law authority in Delaware, the Company's state of incorporation, as to the proper treatment of abstentions, I believe that abstentions should be counted for purposes of determining both: (i) the total number of Votes Present for the purpose of determining whether a quorum is present; and (ii) the total number of Votes Present that are cast ("Votes Cast") with respect to a matter (other than in the election of the Board of Directors).

BROKER NON-VOTES

Shares held in street name that are present by proxy will be considered as Votes Present for purposes of determining whether a quorum is present. With regard to certain proposals, the holder of record of Shares held in street name is permitted to vote as it determines, in its discretion, in the absence of direction from the beneficial holder of the Shares.

The term "broker non-vote" refers to shares held in street name that are not voted with respect to a particular matter, generally because the beneficial owner did not give any instructions to the broker as to how to vote such shares and the broker is not permitted under applicable rules to vote such shares in its discretion because of the subject matter of the proposal, but whose shares are present on at least one matter. Such shares shall be counted as Votes

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Present for the purpose of determining whether a quorum is present. Broker non-votes will not be counted as Votes Cast with respect to matters as to which the record holder has expressly not voted. Accordingly, I believe that broker non-votes will have no effect upon the outcome of voting on any of the business matters set forth in this Proxy Statement.

VOTES REQUIRED FOR APPROVAL

Election of Directors. A plurality of the total Votes Cast by holders of the Shares is required for the election of directors and the nominees who receive the most votes will be elected (assuming a quorum is present). A vote to "WITHHOLD" for any nominee for director will be counted for purposes of determining the Votes Present, but will have no other effect on the outcome of the vote on the election of directors. Stockholders do not have cumulative voting rights with respect to the election of directors. A stockholder may cast such votes either by so marking the ballot at the meeting or by specific voting instructions sent with a signed proxy to me in care of MacKenzie Partners, Inc. at the end of this Proxy Statement.

Other Proposals. Other than the election of directors, the vote required for all other business matters set forth in this Proxy Statement is the affirmative vote of a majority of the Votes Present.

REVOCAION OF PROXIES

Stockholders of SCND may revoke their proxies at any time prior to exercise by attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not in and of itself constitute revocation of a proxy) or by delivering a written notice of revocation. The delivery of a subsequently dated proxy which is properly completed will constitute a revocation of any earlier proxy. The revocation may be delivered either to me in care of MacKenzie Partners, Inc. at the address set forth at the end of this Proxy Statement or to the Company at 70 Orville Drive, Bohemia, New York 11716 or any other address provided by SCND. Although a revocation is effective if delivered to SCND, I request that either the original or photostatic copies of all revocations be mailed to me in care of MacKenzie Partners, Inc. at the address set forth on the back cover of this Proxy Statement so that I will be aware of all revocations and can more accurately determine if and when proxies have been received from the holders of record on the Record Date of a majority of the outstanding Shares. Additionally, MacKenzie Partners, Inc. may use this information to contact stockholders who have revoked their proxies in order to solicit later dated proxies.

IF YOU WISH TO VOTE FOR MY RE-ELECTION TO THE SCND BOARD, FOR THE ADOPTION OF THE 2002 STOCK OPTION PLAN AND FOR THE STOCKHOLDER PROPOSAL TO PLACE RESTRICTIONS ON THE GRANT OF OPTIONS TO NON-EMPLOYEE DIRECTORS , PLEASE SIGN, DATE AND RETURN PROMPTLY THE ENCLOSED BLUE PROXY CARD IN THE POSTAGE-PAID ENVELOPE PROVIDED.

SOLICITATION OF PROXIES

The solicitation of proxies pursuant to this Proxy Statement is being made by me. Proxies may be solicited by mail, facsimile, telephone, telegraph, in person and by advertisements. I will not solicit proxies via the Internet.

I have entered into an agreement with MacKenzie Partners, Inc. for solicitation and advisory services in connection with this solicitation, for which MacKenzie Partners, Inc. will receive a fee not to exceed \$7,500, together with reimbursement for its reasonable out-of-pocket expenses, and will be indemnified against certain liabilities and expenses, including certain liabilities under

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the federal securities laws. MacKenzie Partners, Inc. will solicit proxies from individuals, brokers, banks, bank nominees and other institutional holders. I have requested banks, brokerage houses and other custodians, nominees and fiduciaries to forward all solicitation materials to the beneficial owners of the Shares they hold of record. I will reimburse these record holders for their reasonable out-of-pocket expenses in so doing. It is anticipated that MacKenzie Partners, Inc. will employ approximately 20 persons to solicit SCND's stockholders for the Annual Meeting.

The entire expense of soliciting proxies is being borne by me. If I am elected to the SCND Board, I DO NOT intend to seek reimbursement of the costs of this solicitation from SCND. Costs of this solicitation of proxies are currently estimated to be approximately \$50,000. I estimate that through the date hereof, my expenses in connection with this solicitation are approximately \$10,000.

PARTICIPANT INFORMATION

No other persons are participants in this solicitation. For information regarding purchases and sales of Shares during the past two years by me, see Schedule I.

CERTAIN TRANSACTIONS WITH SCND

Except for salary and other employment compensation I received while an officer and director of SCND during my tenure with the Company, and as otherwise set forth in this Proxy Statement (including the Schedules hereto), neither me nor any of my associates: (i) directly or indirectly beneficially owns any Shares or any securities of SCND; (ii) has had any relationship with SCND in any capacity other than as a stockholder, or is or has been a party to any transactions, or series of similar transactions, or was indebted to SCND during the past year with respect to any Shares of SCND; or (iii) knows of any transactions during the past year, currently proposed transactions, or series of similar transactions, to which SCND or any of its subsidiaries was or is to be a party, in which the amount involved exceeds \$60,000 and in which any of them or their respective affiliates had, or will have, a direct or indirect material interest. In addition, other than as set forth herein, there are no contracts, arrangements or understandings entered into by me or any of my associates within the past year with any person with respect to any of SCND's securities, including, but not limited to, joint ventures, loan or option arrangements, puts or calls, guarantees against loss or guarantees of profit, division of losses or profits, or the giving or withholding of proxies.

Except as set forth in this Proxy Statement (including the Schedules hereto), neither me nor any of my associates, has entered into any agreement or understanding with any person with respect to (i) any future employment by SCND or its affiliates or (ii) any future transactions to which SCND or any of its affiliates will or may be a party. However, I have reviewed, and will continue to review, on the basis of publicly available information, various possible business strategies that it might consider in the event that I am re-elected to the Board.

OTHER MATTERS AND ADDITIONAL INFORMATION

I am unaware of any other matters to be considered at the Annual Meeting other than the election of directors, adoption of the 2002 Stock Option Plan, my Stockholder Proposal and the ratification of the appointment of the Company's auditors. However, should other matters, which I am not aware of a reasonable time before this solicitation, be brought before the Annual Meeting, the persons named as proxies on the enclosed BLUE proxy card will vote on such matters in their discretion.

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I have omitted from this Proxy Statement certain disclosure required by applicable law that is already included in the Management Proxy Statement. This disclosure includes, among other things, biographical information on SCND's directors and executive officers, information concerning executive compensation, information on audit services and fees of Nussbaum Yates & Wolpow, P.C and procedures for nominating directors for election to the SCND Board and submitting proposals for inclusion in SCND's proxy statement at the next annual meeting. Stockholders should refer to the Management Proxy Statement in order to review this disclosure.

See Schedule II for information regarding persons who beneficially own more than 5% of the Shares and the ownership of the Shares by the management of SCND.

The information concerning SCND contained in this Proxy Statement and the Schedules attached hereto has been taken from, or is based upon, publicly available information.

Lowell A. Kleiman

November __, 2002

SCHEDULE I

TRANSACTIONS IN THE SHARES DURING THE PAST TWO YEARS

On March 20, 2001, I exercised options to purchase 60,000 shares of SCND common stock, at an exercise price of \$0.35 per share. The options were granted to me on February 11, 1992 under the Company's 1992 Stock Option Plan. Other than the foregoing, I have not had any transactions in the SCND common stock during the past two years.

SCHEDULE II

SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS AND MANAGEMENT

The following is based solely on information provided in the management proxy statement:

Security Ownership of Certain Beneficial Owners

The following table sets forth as of September 27, 2002 certain information as to each person who to the Company, based upon such person's representations or publicly available filings, beneficially owned more than 5% of the shares of the Company's Common Stock as of that date:

Name and Address of Beneficial Owner -----	Shares Beneficially Owned** -----	Percent of Class*** -----
James S. Segasture*	176,757 (1)	18.5
Lowell A. Kleiman 16 Walnut Street Glen Head, NY 11545	139,581	14.7

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Roger B. Knowles*	91,705 (2)	9.3
Joseph I. Kesselman 6 Angora Road Westport, CT 06880	63,520 (3)	6.5
Arthur M. Borden*	62,540 (4)	6.4

* His address is c/o Scientific Industries, Inc., 70 Orville Drive, Bohemia, New York 11716.

** Beneficial ownership, as such term is used herein, is determined in accordance with Rule 13d-3(d) (1) promulgated under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and includes voting and/or investment power with respect to shares of Common Stock of the Company. Unless otherwise indicated, the named person possesses sole voting and investment power with respect to the shares. The shares shown include shares issuable pursuant to options held by the named person that may be exercised within 60 days of the date indicated above.

*** Percentages of ownership are based upon the number of shares of Common Stock issued and outstanding. Shares of Common Stock that may be acquired pursuant to options that are exercisable within 60 days of the date indicated above are deemed outstanding for computing the percentage ownership of the person holding such options, but are not deemed outstanding for the percentage ownership of any other person.

- (1) Includes 132,757 shares held jointly with his wife and 4,000 shares issuable upon exercise of options.
- (2) Includes 44,158 shares owned by his wife and 1,337 shares owned by a trust of which Mr. Knowles is a trustee, beneficial ownership of which he disclaims, and 32,000 shares of Common Stock issuable upon exercise of options.
- (3) Includes 32,000 shares issuable upon exercise of options, and 735 shares owned jointly with his wife.
- (4) Includes 26,000 shares issuable upon exercise of options.

Security Ownership of Management

The following table sets forth, as of October 4, 2002, the number of shares of Common Stock beneficially owned by (i) each director of the Company, (ii) each nominee for director, (iii) each named executive officer of the Company

identified in the Summary Compensation Table under "Executive Officers-Annual Compensation", and (iv) all directors and executive officers as a group.

	Number -----	Percentage -----
Arthur M. Borden	62,540 (1)	6.4%
Joseph I. Kesselman	63,520 (2)	6.4%
Roger B. Knowles	91,705 (3)	9.3%
James S. Segasture	176,757 (4)	18.4%
Joseph G. Cremonese	5,000	5.0%
Lowell A. Kleiman	139,581	14.6%
Helena R. Santos	25,000 (5)	2.6%
All current directors and executive officers as a group	586,903 (6)	53.7%

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- (1) See note (4) to table under "Security Ownership of Certain Beneficial Owners".
 - (2) See note (3) to table under "Security Ownership of Certain Beneficial Owners".
 - (3) See note (2) to table under "Security Ownership of Certain Beneficial Owners".
 - (4) See note (1) to table under "Security Ownership of Certain Beneficial Owners".
 - (5) Includes 24,000 shares of Common Stock issuable upon exercise of currently exercisable options.
 - (6) Includes 138,000 shares of Common Stock issuable upon exercise of currently exercisable options of which options to purchase 44,000 shares of Common Stock are held by Ms. Santos and Mr. Nichols.

IMPORTANT

Tell your Board what you think! Your vote is important. No matter how many Shares you own, please give me your proxy FOR my re-election, and FOR the 2002 Stock Option Plan and FOR my Stockholder Proposal by taking three steps:

- o SIGNING the enclosed BLUE proxy card,
- o DATING the enclosed BLUE proxy card, and
- o MAILING the enclosed BLUE proxy card TODAY in the envelope provided (no postage is required if mailed in the United States).

If any of your Shares are held in the name of a brokerage firm, bank, bank nominee or other institution, only it can vote such Shares and only upon receipt of your specific instructions. Accordingly, please contact the person responsible for your account and instruct that person to execute the BLUE proxy card representing your Shares. I urge you to confirm in writing your instructions to me in care of MacKenzie Partners, Inc. at the address provided below so that I will be aware of all instructions given and can attempt to ensure that such instructions are followed.

If you have any questions or need assistance in voting your BLUE proxy, please contact Dan Sullivan or Bob Sandhu at the numbers listed below:

105 Madison Avenue
New York, New York 10010
proxy@mackenziepartners.com
Call Collect: (212) 929-5500
or
Toll-Free (800) 322-2885

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SCIENTIFIC INDUSTRIES, INC.

ANNUAL MEETING OF STOCKHOLDERS

THIS PROXY IS SOLICITED ON BEHALF OF LOWELL A. KLEIMAN.

THE BOARD OF DIRECTORS OF SCIENTIFIC INDUSTRIES, INC. IS NOT SOLICITING THIS PROXY.

The undersigned appoints Lowell A. Kleiman (the "Soliciting Shareholder"), as attorney and agent with full power of substitution to vote all shares of common stock of Scientific Industries, Inc. (the "Company") which the undersigned would be entitled to vote if personally present at the Annual Meeting of Stockholders of the Company, and including at any adjournments or postponements thereof and at any meeting called in lieu thereof, as follows:

THE SOLICITING SHAREHOLDER RECOMMENDS A VOTE FOR PROPOSALS 1, 2, 3 AND 4.

1. ELECTION OF DIRECTORS:

A. Soliciting Shareholder Nominee - Election of Lowell A. Kleiman to the Company's Board of Directors.

[] FOR nominee [] WITHHOLD AUTHORITY for nominee

B. Company Nominee: The Soliciting Shareholder intends to use this proxy to vote for one of the two individuals who have been nominated by the Company to serve as a director. The Company nominee which the Soliciting Shareholder does not intend to vote for is named below. You may withhold authority to vote for the Company's second nominee by writing the name of the nominee in the space below. Please refer to management's Proxy Statement for the 2002 Annual Meeting for the names, backgrounds, qualifications and other information concerning the Company's nominees. There is no assurance that any of the Company's nominees will serve as directors if Mr. Kleiman is elected to the Board.

The Company's nominee with respect to whom the Soliciting Shareholder is NOT seeking authority to vote for and WILL NOT exercise any such authority is Roger Knowles.

INSTRUCTION: To withhold authority to vote for the election of the Company's second nominee, write his name on the line provided below.

2. PROPOSAL TO APPROVAL THE ADOPTION OF THE 2002 STOCK OPTION PLAN

[] FOR [] AGAINST [] ABSTAIN

3. RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS:

[] FOR [] AGAINST [] ABSTAIN

4. STOCKHOLDER PROPOSAL TO PLACE RESTRICTIONS ON THE GRANT OF STOCK OPTIONS TO NON-EMPLOYEE DIRECTORS:

[] FOR [] AGAINST [] ABSTAIN

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5. IN THEIR DISCRETION WITH RESPECT TO ANY OTHER MATTERS AS MAY PROPERLY COME BEFORE THE ANNUAL MEETING.

The undersigned hereby revokes any other proxy or proxies heretofore given to vote or act with respect to the shares of Common Stock of the Company held by the undersigned, and hereby ratifies and confirms all action the herein named attorneys and proxies, their substitutes, or any of them may lawfully take by virtue hereof. If properly executed, this Proxy will be voted as directed above. IF NO DIRECTION IS INDICATED WITH RESPECT TO THE ABOVE PROPOSALS, THIS PROXY WILL BE VOTED FOR PROPOSAL 1 (INCLUDING THE ELECTION OF THE ADDITIONAL NOMINEE), PROPOSAL 2, PROPOSAL 3 AND PROPOSAL 4 AND IN THE DISCRETION OF THE PROXIES, TO VOTE UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING, AND ANY ADJOURNMENT OR POSTPONEMENT THEREOF.

This proxy will be valid until the sooner of one year from the date indicated below and the completion of the Annual Meeting.

DATED: _____

PLEASE SIGN EXACTLY AS NAME APPEARS ON THIS PROXY.

----- (Signature)

----- (Signature, if held jointly)

----- (Title)

WHEN SHARES ARE HELD JOINTLY, JOINT OWNERS SHOULD EACH SIGN. EXECUTORS, ADMINISTRATORS, TRUSTEES, ETC., SHOULD INDICATE THE CAPACITY IN WHICH SIGNING.

YOUR VOTE IS IMPORTANT.

PLEASE VOTE TODAY!

PLEASE SIGN,

DATE AND MAIL

THIS PROXY CARD

TODAY
