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SCIENTIFIC INDUSTRIES INC  
Form DEFA14A  
November 12, 2002

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

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.

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(Name of Registrant as Specified In Its Charter)

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

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- No fee required.
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(1) Amount previously paid:

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(2) Form, Schedule or Registration Statement No.:

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(4) Date Filed:  
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SCIENTIFIC INDUSTRIES, INC.  
70 Orville Drive  
Bohemia, New York 11716

November 12, 2002

Dear Fellow Stockholder:

By now, you should have received proxy materials from Lowell Kleiman seeking your vote at the upcoming annual meeting scheduled for November 18, 2002. Your Board believes the solicitation by Mr. Kleiman is contrary to the best interests of Scientific Industries and its stockholders. We encourage you to vote the WHITE card and discard his Blue proxy card thereby supporting management's two Class C nominees - Joseph G. Cremonese and Roger B. Knowles.

The Board believed that after 27 years of Mr. Kleiman's leadership - it was time for a change. We believe that our strategy for the company has a greater chance of substantially growing our Company with a united Board of Directors. In our opinion, Mr. Kleiman's reelection would create a division in the Board that would impede the achievement of our strategic goals. At this crucial time for our Company, we believe that we must have a Board of Directors that is "all on the same page".

Our Vision for the Future

Your Board and new management team are committed to implementing, in a controlled and responsible manner, a growth plan which includes:

- \* a material expansion of our product line through internal and external research and development as well as purchase of products to be marketed under the Scientific Industries label;

- \* an aggressive and improved marketing program; and

- \* the pursuit of merger and acquisition opportunities.

Your management realizes that the Company has reached a point where it can no longer rely solely on its principal product for meaningful growth and profitability. Indeed, it was the inability of Mr. Kleiman to implement the goals of growth for the Company that led to his termination by your Board. Contrary to Mr. Kleiman's beliefs, the Board is prepared to allocate the necessary resources to accomplish our goals of

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significant growth (although there is no assurance that the election of the Board's two nominees will produce such result).

Your Board, which combined are the owners of approximately 31% of the outstanding shares (excluding Mr. Kleiman), took these bold steps in replacing Mr. Kleiman as CEO, as well as not nominating him to the Board, to give the new management team a chance to implement their strategy without any interference.

We believe stockholders have an opportunity at this year's annual meeting to take a big step forward. We strongly urge you to vote for the company's two nominees at the annual meeting and to vote on the other proposals in the manner recommended by the Board of Directors. We ask you to sign, date and return the WHITE proxy card recently mailed to you, using the provided postage-paid envelope. If you have any questions or need assistance in completing the proxy card, please call our proxy solicitor: Greg Tartaglia, D.F. King & Co., Inc., toll free at (800) 758-5378 or collect at (212) 269-5550.

On Behalf of the Board of Directors

/s/Helena R. Santos

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Helena R. Santos  
President and Chief Executive Officer

You are encouraged to read on the reverse side of this letter a comparison of statements contained in Mr. Kleiman's latest letter and the facts.

Comparison of Kleiman's Statements with the Facts  
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In furtherance of our belief set forth in our previous letter that Mr. Kleiman is employing "distortions", "untruths" and "half-truths" in pursuit of your vote, we refer you to the following comparison of statements in his latest letter and the facts:

Mr. Kleiman's statements:  
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1. I was "summarily fired by the Company on August 29, 2002 . . . .";

Facts:  
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1. Termination occurred after (i) first, Kleiman's request on June 11, 2002 for a three-year extension of the June 30, 2002 expiration date of his contract at a \$15,000 increase to \$175,000 per annum, plus bonus for performance; (ii) then, his agreeing to a 30-day extension of the current contract; (iii) then, his submission and withdrawal in June 2002 of his resignation; (iv) then, his agreement on July 1 to continue employment for a 30-day period at will; (v) then, his rejection of the Company's July 31 offer for an incentive motivated one-year term at \$120,000 plus bonus up to \$50,000 based on profitability; and (vi) then,

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the Company's rejection of his counteroffer of \$160,000 per annum plus bonus.

2. "... I had proposed to the Board a strategic business plan designed to establish a foundation for the growth of the Company . . ."

2. Kleiman did not submit a written business plan during his entire tenure as President and Chief Executive Officer until days prior to the expiration of his employment agreement which submission required substantial revision and was produced largely through the efforts of Mr. Cremonese, who then became one of the Board's nominees.

3. "...I grew increasingly critical [during the last 6 years] of my fellow Board members . . . convinced that this criticism led to my ultimate dismissal..."

3. His dismissal was solely due to longstanding disappointment with his performance and failure to fulfill prior plans (all verbal) presented to the Board.

4. "... we were able to achieve financial stability . . . [the Company] is no longer undercapitalized."

4. Our current ratio as of the end of each fiscal year during the past 10 years, hardly indicating "undercapitalized", ranged from 4.3 to 1 to 7.2 to 1. He said, however, the available funds were to be used for an acquisition program which has been unsuccessful and resulted since 1998 in expenditures of \$225,000 (not the \$385,000 which we mistakenly set forth in our prior letter) but no meaningful expansion of our product base and marketing efforts.

5. "direct response to my actions, the Company modified the Stock Option Plan to non-directors."

5. In consideration of the Plan, each Director stated that none of the current Directors will be eligible for option grants thereunder, but he voted against such modification when it was formally adopted.

Please also note in response to his reference to his material financial interest that the four other Directors, as a group, hold a materially greater stock and financial interest in the Company.