

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

**FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 31, 2009

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-12459

Biosynergy, Inc.

(Exact name of registrant as specified in its charter)

Illinois

36-2880990

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

1940 East Devon Avenue, Elk Grove Village, Illinois 60007

(Address of principal executive offices)

847-956-0471

(Registrant's telephone number, including area code)

(Former name, former address and formal fiscal year, if changed since last report)

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), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 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  (Do not check if a smaller reporting company)

Smaller reporting company

SEC 1296 (03-10) **Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

APPLICABLE ONLY TO ISSUERS INVOLVED IN A BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.  Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 14,935,511

BIOSYNERGY, INC.

PART 1 - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Balance Sheets

ASSETS		
	<u>July 31, 2009</u> <u>Unaudited</u>	<u>April 30, 2009</u> <u>Audited</u>
<b>Current Assets</b>		
Cash	\$309,006	\$285,395
Short-Term Investment	200,000	200,000
Accounts receivable, Trade (Net of allowance for doubtful accounts of \$500 at July 31, 2009 and April 30, 2009)	153,351	150,033
Inventories	91,376	81,299
Prepaid Expenses	52,261	48,937
Interest Receivable	<u>1,738</u>	<u>541</u>
Total Current Assets	<u>807,732</u>	<u>766,205</u>
<b>Equipment and Leasehold Improvements</b>		
Equipment	203,137	203,137
Leasehold improvements	<u>20,022</u>	<u>20,022</u>
	223,159	223,159
Less accumulated depreciation and amortization	<u>(193,307)</u>	<u>(188,793)</u>
Total Equipment and Leasehold Improvements, Net	<u>29,852</u>	<u>34,366</u>
<b>Other Assets</b>		
Patents less Accumulated Amortization	15,674	15,938
Pending Patents	94,491	85,282
Deposits	<u>5,947</u>	<u>5,947</u>
Total Other Assets	<u>116,112</u>	<u>107,167</u>
	<u>\$953,696</u>	<u>\$907,738</u>

The accompanying notes are an integral part of the financial statements.

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Liabilities and Shareholders' Equity

	<u>July 31, 2009</u>	<u>April 30, 2009</u>
	<u>Unaudited</u>	<u>Audited</u>
Current Liabilities		
Accounts payable	\$47,925	\$ 9,454
Accrued compensation and payroll taxes	16,004	19,995
Deferred rent	5,223	5,733
Other accrued expenses	368	468
Accrued vacation	<u>23,736</u>	<u>17,855</u>
Total Current Liabilities	<u>93,256</u>	<u>53,505</u>
Deferred Income Taxes	<u>13,019</u>	<u>13,019</u>
Shareholders' Equity		
Common stock, No par value; 20,000,000 authorized shares issued: 14,935,511		
Shares at July 31, 2009 and at April 30, 2009	660,988	660,988
Receivable from Affiliate	(19,699)	(19,699)
Retained Earnings	<u>206,132</u>	<u>199,925</u>
Total Shareholders' Equity	<u>847,421</u>	<u>841,214</u>
	<u>\$953,696</u>	<u>\$907,738</u>

The accompanying notes are an integral part of the financial statements.

Biosynergy, Inc.  
Statements of Operations

	Three Months Ended July 31,	
	2009	2008
	<u>Unaudited</u>	<u>Unaudited</u>
Net Sales	\$ 283,063	\$ 279,431
Cost of Sales	<u>78,763</u>	<u>67,697</u>
Gross Profit	<u>204,300</u>	<u>211,734</u>
Operating Expenses		
Marketing	36,984	28,198
General and administrative	137,985	130,460
Research and development	<u>22,965</u>	<u>20,626</u>
Total Operating Expenses	<u>197,934</u>	<u>179,284</u>
Income from Operations	<u>6,366</u>	<u>32,450</u>
Other Income		
Interest Income	1,417	2,356
Other income	<u>480</u>	<u>480</u>
Total Other Income	<u>1,897</u>	<u>2,836</u>
Net Income Before Income Taxes	8,263	35,286
Provision for Income Taxes	<u>2,056</u>	<u>13,141</u>
Net Income	<u>\$ 6,207</u>	<u>\$ 22,145</u>
Net Income per Shares of Common Stock-Basic and Diluted	<u>\$ -</u>	<u>\$ -</u>
Weighted-Average Common Stock Outstanding-Basic and Diluted	<u>14,935,511</u>	<u>14,935,511</u>

The accompanying notes are an integral part of the financial statements.

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BIOSYNERGY, INC.  
STATEMENT OF SHAREHOLDERS' EQUITY  
THREE MONTHS ENDED JULY 31, 2009

Unaudited

	<u>Common Stock</u>		<u>Receivable</u>	<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>from Affiliate</u>	<u>Earnings</u>	
Balance, May 1, 2009	14,935,511	\$660,988	\$ (19,699)	\$ 199,925	\$841,214
Net Income	-	-	-	6,207	6,207
Balance, July 31, 2009	<u>14,935,511</u>	<u>\$660,988</u>	<u>\$ (19,699)</u>	<u>\$ 206,132</u>	<u>\$847,421</u>

The accompanying notes are an integral part of the financial statements.

BIOSYNERGY, INC.

STATEMENTS OF CASH FLOWS

Unaudited

31,	THREE MONTHS ENDED JULY	
	2009	2008
	<u>                    </u>	<u>                    </u>
Cash Flows from Operating Activities		
Net income	\$ 6,207	\$ 22,145
Adjustments to reconcile net income to cash provided by (used in) operating activities		
Depreciation and amortization	4,514	4,818
Changes in assets and liabilities		
Accounts receivable	(3,318)	(1,963)
Inventories	(10,077)	(37,240)
Prepaid expenses	(3,324)	(6,353)
Interest Receivable	(1,197)	1,027
Accounts payable and accrued expenses	<u>39,751</u>	<u>49,122</u>
Total Adjustments	<u>26,349</u>	<u>9,411</u>
Net Cash Provided by Operating Activities	<u>32,556</u>	<u>31,556</u>
Cash Flow from Investing Activities		
Patents and Patents Pending	(8,945)	(8,844)
Purchase of Equipment	<u>-</u>	<u>(3,408)</u>
Net Cash (Used in) Investing Activities	<u>(8,945)</u>	<u>(12,252)</u>
Increase in Cash and Cash Equivalents	<u>23,611</u>	<u>19,304</u>
Cash Beginning Period	<u>285,395</u>	<u>481,123</u>
Cash Ending Period	<u>\$309,006</u>	<u>\$ 500,427</u>

The accompanying notes are an integral part of the financial statements.

Biosynergy, Inc.

Notes to Financial Statements

Three Months Ended July 31, 2009 and 2008

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Note 1 - Company Organization and Description

In the opinion of management, the accompanying unaudited condensed financial statements contain all adjustments, consisting of normal recurring adjustments which are necessary for a fair presentation of the financial position and results of operations for the periods presented. The unaudited condensed financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America. These condensed financial statements should be read in conjunction with the audited financial statements and notes included in the Company's April 30, 2009 Annual Report on Form 10-K. The results of operations for the three months ended July 31, 2009 are not necessarily indicative of the operating results for the full year.

Biosynergy, Inc. (the Company) was incorporated under the laws of the State of Illinois on February 9, 1976. It is primarily engaged in the development and marketing of medical, consumer and industrial thermometric and thermographic products that utilize cholesteric liquid crystals. The Company's primary product, the HemoTemp II Blood Monitoring Device, accounted for approximately 92.7% of the sales during the quarter ending July 31, 2009. The products are sold to hospitals, clinical end-users, laboratories and product dealers located throughout the United States.

Note 2 - Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company maintains cash and cash equivalents with major financial institutions. Cash and cash equivalents are maintained in demand accounts to minimize risks. Demand accounts and certificates of deposit are insured up to \$250,000 as of July 31, 2009 and April 30, 2009 per depositor by the Federal Deposit Insurance Corporation. Balances in excess of insured amounts totaled \$39,432 as of April 30, 2009 and \$84,906 as of July 31, 2009. The Company has not experienced any loss on these accounts. The Company does not believe it is exposed to any significant risk on the uninsured amounts.

Receivables

Receivables are carried at original invoice less estimates made for doubtful receivables. Management determines the allowances for doubtful accounts by reviewing and identifying troubled accounts on a periodic basis and by using historical experience applied to an aging of accounts. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Biosynergy, Inc.

Notes to Financial Statements

Three Months Ended July 31, 2009 and 2008

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Note 2 - Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are valued at the lower of cost or market using the FIFO (first-in, first-out) method.

Depreciation and Amortization

Equipment and leasehold improvements are stated at cost. Depreciation is computed primarily on the straight-line method over the estimated useful lives of the respective assets. Repairs and maintenance are charged to expense as incurred; renewals and betterments which significantly extend the useful lives of existing equipment are capitalized. Significant leasehold improvements are capitalized and amortized over the term of the lease; equipment is depreciated over 3 to 10 years.

Revenue Recognition

The Company recognizes net sales revenue upon the shipment of product to customers.

Research and Development and Patents

Research and development expenditures are charged to operations as incurred. The costs of obtaining patents, primarily legal fees, are capitalized and once obtained, amortized over the life of the respective patent on the straight-line method.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Per Common Share

The Company has adopted the provisions of FASB No. 128, "Earnings Per Share." Income per common share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. When dilutive, stock options are included as share equivalents using the treasury stock method in the calculation of diluted earnings per share. The Company has no outstanding options or other rights to acquire its unissued common shares.



Biosynergy, Inc.

Notes to Financial Statements

Three Months Ended July 31, 2009 and 2008

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Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments/Short Term Investments

The Company evaluates its financial instruments based on current market interest rates relative to stated interest rates, length to maturity and the existence of readily determinable market prices. Short-term investments have been categorized as held-to-maturity and as a result are stated at cost, which approximates fair value. Short-term investments consist of certificates of deposit, which mature within one year of July 31, 2009 and April 30, 2009, respectively. Based on the Company's analysis, the fair value of short term investments recorded on the balance sheet as of July 31, 2009, approximates their carrying value.

Comprehensive Income

The Company adopted the Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," which established standards for the reporting and display of comprehensive income and its components in the financial statements. Components of comprehensive income include amounts that, under SFAS No. 130, are included in the comprehensive income but are excluded from net income. There were no significant differences between the Company's net income and comprehensive income.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due and deferred taxes related primarily to differences in the methods of accounting for patents, inventories, certain accrued expenses and bad debt expenses for financial and income purposes. The deferred tax income taxes represent the future tax consequences of those differences, which will be taxable in the future.

The Company files tax returns in the U.S. federal jurisdiction and with the state of Illinois. Various tax years remain open to examinations although there are currently no ongoing tax examinations. Management's policy is to recognize interest and penalties related to uncertain tax positions in income tax expenses.

The provision for income taxes consists of the following components as of July 31:

	<u>2009</u>	<u>2008</u>
Current		
Federal	\$ 1,430	\$ 10,061
State	<u>626</u>	<u>3,080</u>
Provision for Income Taxes	<u>\$ 2,056</u>	<u>\$ 13,141</u>

Biosynergy, Inc.

Notes to Financial Statements

Three Months Ended July 31, 2009 and 2008

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Note 2 - Summary of Significant Accounting Policies (Continued)

The differences between the U.S. federal statutory tax rate and the Company's effective tax rate are as follows:

	Period Ended July 31,	
	<u>2009</u>	<u>2008</u>
U.S. federal statutory tax rate	34.0%	34.0%
State income tax expense, net of Federal tax benefit	3.0	3.0
Effect of graduated federal tax rates and other	<u>(12.2)</u>	<u>.2</u>
Consolidated Effective Tax Rate	<u>24.8%</u>	<u>37.2%</u>

Recent Accounting Pronouncements

In June 2009, the FASB issued SFAS No. 168, "The 'FASB Accounting Standards Codification' and the Hierarchy of Generally Accepted Accounting Principals, a replacement of FASB Statement No. 162" ("SFAS 168"). SFAS 168 establishes the "FASB Accounting Standards Codification" ("Codification"), which officially launched July 1, 2009, to become the source of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities, superseding existing FASB, American Institute of Certified Public Accountants ("AICPA"), Emerging Issues Task Force ("EITF"), and related accounting literature. Rules and interpretive releases to the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. SFAS 168 reorganizes the previously issued GAAP pronouncements into accounting topics and displays them using a consistent structure. The subsequent issuances of new standards will be in the form of Accounting Standards Updates that will be included in the Codification. SFAS 168 will be effective for the Company as of the interim period ended October 31, 2009. As the Codification was not intended to change or alter existing GAAP, it will not have an impact on the Company's financial statements. The only impact will be that any future references to authoritative accounting literature will be in accordance with SFAS 168 and the new numbering system prescribed by the Codification.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS 165"). This standard is intended to establish general standards of accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 requires issuers to reflect in their financial statements and disclosures the effects of subsequent events that provide additional evidence about conditions at the balance sheet date. Disclosures should include the nature of the event and either an estimate of its financial effect or a statement that an estimate cannot be made. This standard also requires issuers to disclose the date through which they have evaluated subsequent events and whether the date corresponds with

Biosynergy, Inc.

Notes to Financial Statements

Three Months Ended July 31, 2009 and 2008

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the release of their financial statements. The Company adopted SFAS 165 as of the interim period ended July 31, 2009. The implementation of this standard did not have an impact on the Company's financial statements. The Company has evaluated subsequent events through September 14, 2009, the date it filed this quarterly report on Form 10-Q with the SEC.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No. 133." SFAS No. 161 changes the disclosure requirement for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. The guidance in SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The Company adopted SFAS No. 161 for the interim period ended July 31, 2009. The Company's adoption of SFAS No. 161 did not have any impact on its financial condition or results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations." SFAS No. 141(R) significantly changes the accounting for business combinations in a number of areas including the treatment of contingent consideration, preacquisition contingencies, transaction costs, in-process research and development and restructuring costs. In addition, under SFAS No. 141(R), changes in an acquired entity's deferred tax assets and uncertain tax positions after the measurement period will impact income tax expense. SFAS No. 141(R) was adopted by the Company as of the interim period ended July 31, 2009. The Company's adoption of this revision did not have any impact on the Company's financial condition or results of operations.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, and amendment of ARB No. 51." SFAS No. 160 changes the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. This new consolidation method significantly changes the accounting for transactions with minority interest holders. SFAS became effective for the Company May 1, 2009. The Company's adoption of SFAS No. 160 did not have a significant impact on the Company's financial position or results of operations.

#### Short-Term Investments

In April, 2009, the Company reinvested \$100,000 in a one year certificate of deposit at an annual percentage yield of 2% with a maturity date of April 22, 2010. The Company also reinvested an additional \$100,000 in a one year certificate of deposit at an annual percentage yield of 2.75% with a maturity date of February 23, 2010.

Biosynergy, Inc.

Notes to Financial Statements

Three Months Ended July 31, 2009 and 2008

Note 3 – Inventories

Components of inventories are as follows:

	April 30, 2009	July 31, 2009
Raw materials	\$ 40,681	\$ 46,105
Work-in-process	24,211	10,693
Finished goods	<u>16,407</u>	<u>34,578</u>
	<u>\$ 81,299</u>	<u>\$ 91,376</u>

Note 4 – Common Stock

The Company's common stock is traded in the over-the-counter market. However, there is no established public trading market due to limited and sporadic trades. The Company's common stock is not listed on a recognized market or stock exchange.

Note 5 - Related Party Transactions

The Company and its affiliates are related through common stock ownership as follows as of April 30, 2009 and July 31, 2009:

	<u>Stock of Affiliates</u>		
	F.K. Suzuki		
	Biosynergy, International, Medlab,		
	Inc.	Inc.	Inc.
	-----	-----	-----
F.K. Suzuki International, Inc	30.1%	-	100.0%
Fred K. Suzuki, Officer	4.1	35.6	-
Lauane C. Addis, Officer	.1	32.7	-
James F. Schembri, Director	8.6	-	-
Mary K. Friske, Officer	.3	.2	-
Laurence C. Mead, Officer	.4	4.0	-
Beverly K. Suzuki, Officer	2.7	-	-

As of July 31, 2009 and April 30, 2009, \$19,699 was due from F.K. Suzuki International, Inc. (FKSI). These balances result from an allocation of common expenses charged to FKSI offset by advances received from time to time. No interest income is received or accrued by the Company. The financial condition of FKSI is such that it will unlikely be able to repay the Company during the next year without liquidating a portion of its assets, including a portion of its ownership in the Company. As a result, \$19,699 of the total receivable balance has been reclassified as a contra equity account.

Biosynergy, Inc.

Notes to Financial Statements

Three Months Ended July 31, 2009 and 2008

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Note 6 - Major Customers

Shipments to one customer amounted to 35.89% of sales during the first three months of Fiscal 2010 compared to 39.19% during the three month period ending July 31, 2009. As of July 31, 2009, there were outstanding accounts receivable from this customer of \$88,560 compared to \$80,275 at July 31, 2008. Shipments to another customer amounted to 21.14% of sales during the first three months of Fiscal 2010 and 19.43% of sales during the first three months of Fiscal 2009. As of July 31, 2009, there were outstanding accounts receivable from this customer of approximately \$21,135 compared to \$23,470 at July 31, 2008.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Net Sales/Revenues

For the three month period ending July 31, 2009 ("1<sup>st</sup> Quarter"), the net sales increased 1.3%, or \$3,632, as compared to net sales for the comparative quarter ending in 2008. This increase in sales was primarily the result of an increase in price of the HemoTemp<sup>R</sup> II during the 1<sup>st</sup> Quarter. As of July, 31, 2009, the Company had no back orders.

In addition to the above, during the 1<sup>st</sup> Quarter the Company had \$1,897 of other miscellaneous revenues primarily from leasing a portion of its storage space to a third party and interest income of \$1,417.

### Costs and Expenses

#### General

The operating expenses of the Company during the 1st Quarter increased overall by 10.4%, or \$18,650, as compared to the 1<sup>st</sup> Quarter in 2008, primarily due to an increase in employee expenses and marketing costs. See "General and Administrative Expenses" below.

#### Cost of Sales

The cost of sales during the 1st Quarter increased by \$11,066 as compared to these expenses during the same quarter ending in 2008. This increase was due primarily to increased salaries. As a percentage of sales, the cost of sales were 27.83% during the 1<sup>st</sup> Quarter and 24.23% for the comparative quarter ending in 2008. Subject to unanticipated increases in raw materials or extraordinary occurrences, it is not anticipated that the cost of sale as a percentage of sales will materially change in the near future.

#### Research and Development Expenses

Research and Development costs increased \$2,339, or 11.34%, as compared to the same quarter in 2008. This increase was primarily due to increased salaries. The Company is continuing to investigate certain compounds for use in food and other products as antibacterial agents and research intended to improve and expand the Company's current product line. The Company does not have sufficient information to determine the extent to which the Company will be required to allocate its resources to the continued development of these products.

#### Marketing Expenses

Marketing expenses for the 1<sup>st</sup> Quarter increased by \$8,786 or 31.16%, as compared to the quarter ending July 31, 2008. The Company experienced increased costs for graphic design of promotional material and increased salaries during the 1<sup>st</sup> Quarter accounting for the overall increase in Marketing expenses.

#### General and Administrative Expenses

General and administrative costs increased by \$7,525, or 5.77%, as compared to the 1<sup>st</sup> Quarter ending in 2008. This increase was primarily the result of an increase in administrative salaries and

benefits and accounting fees incurred in the ordinary course of business. Except for unforeseen expenses, increases to employee compensation associated with the Company's 401(k) plan and bonus plan, and normal increases in employee compensation, it is unlikely general and administrative expenses will materially change during Fiscal 2010.

### Net Income

The Company realized net income of \$6,207 during the 1<sup>st</sup> Quarter as compared to a net income of \$22,145 for the comparative quarter of the prior year. The decrease in net income was primarily a result of increased employee wages and benefits, promotional expenses, and accounting fees.

### Assets/Liabilities

#### General

Since April 30, 2009 the Company's assets have increased by \$45,958 and liabilities have increased by \$39,751. The increase in assets (primarily cash, inventories and prepaid expenses) is a result of positive cash flow from operations.

#### Related Party Transactions

The Company was owed \$19,699 by F.K. Suzuki International, Inc. ("FKSI"), an affiliate, at July 31, 2009 and April 30, 2009. This account primarily represents common expenses incurred in the ordinary course of business which were previously charged by the Company to FKSI for reimbursement. No interest is received or accrued by the Company. Collectibility of the amounts due from FKSI cannot be assured without the liquidation of all or a portion of its assets, including a portion of its common stock of the Company. As a result, the amount owed by FKSI to the Company has been reclassified as a reduction of FKSI's capital in the Company. See "Financial Statements."

#### Current Assets/Liabilities Ratio

The ratio of current assets to current liabilities, 8.66 to 1, has decreased compared to 14.32 to 1 at April 30, 2009, primarily due to an increase in current liabilities. This decrease is not indicative of a material change in the financial condition of the Company, but rather a normal fluctuation due to the timing of payment of vendors. In order to maintain or improve the Company's asset/liabilities ratio, the Company's operations must remain profitable.

The increase in liabilities was due primarily to legal and accounting expenses incurred during the 1<sup>st</sup> Quarter in preparing the Company's annual report on Form 10-K and auditing the Company's April 30, 2009 year end financial statements.

### Liquidity and Capital Resources

During the 1<sup>st</sup> Quarter, the Company experienced an increase in working capital of \$1,776. This was primarily due to an increase in current assets.

The Company has attempted to conserve working capital whenever possible. To this end, the Company attempts to keep inventory at minimum levels. The Company believes that it will be able to maintain adequate inventory to supply its customers on a timely basis by careful planning and forecasting demand for its products. However, the Company is nevertheless required to carry a

minimum amount of inventory to meet the delivery requirements of customers and thus, inventory represents a substantial portion of the Company's current assets.

The Company presently grants payment terms to customers and dealers of 30 days. Although the Company experiences varying collection periods of its accounts receivable, the Company believes that uncollectable accounts receivable will not have a significant effect on future liquidity.

Cash provided by operating activities was \$32,556 during the three month period ending July 31, 2009. An aggregate of \$8,945 was used for patent expenses during this same period. Except for operating capital and limited equipment purchases and patent expenses, management is not aware of any other material capital requirements or material contingencies for which it must provide. There were no cash flows from financing activities during the three month period ending July 31, 2009.

As of July 31, 2009, the Company had \$807,732 of current assets available. Of this amount, \$52,261 was prepaid expenses, \$91,376 was inventory, \$153,351 was net trade receivables \$200,000 was short-term investments, and \$309,006 was cash. The Company's available cash and cash flow are considered adequate to fund the short-term capital needs of the Company. However, to meet the long-term operating capital needs of the Company, the Company must remain profitable. The Company does not have a working line of credit, and does not anticipate obtaining a working line of credit in the near future. Thus there is a risk additional financing may be necessary to fund long-term capital needs of the Company, although there is no such currently known long-term capital needs other than operations.

Effects of Inflation. With the exception of raw material and labor costs increasing with inflation, inflation has not had a material effect on the Company's revenues and income from continuing operations in the past three years. Inflation is not expected to have a material effect in the foreseeable future.

Critical Accounting Policies and Estimates. On December 12, 2001, the SEC issued FR-60 "Cautionary Advice Regarding Disclosure About Critical Accounting Policies." FR-60 is an intermediate step to alert companies to the need for greater investor awareness of the sensitivity of financial statements to the methods, assumptions, and estimates underlying their preparation, including the judgments and uncertainties affecting the application of those policies and the likelihood that materially different amounts would be reported under different conditions or using different assumptions.

The Company's significant accounting policies are disclosed in Note 2 to the Financial Statements for the 1<sup>st</sup> Quarter. See "Financial Statements." Except as noted below, the impact on the Company's financial position or results of operation would not have been materially different had the Company reported under different conditions or using different assumptions. The policies which may have materially affected the financial position and results of operations of the Company if such information had been reported under different circumstances or assumptions are:

### Forward-Looking Statements

This report may contain statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements" within the meaning of the Private Securities Litigation



Reform Act of 1995 (the "Reform Act"). Such forward-looking statements involve risks and uncertainties. Actual results may differ materially from such forward-looking statements for reasons including, but not limited to, changes to and developments in the legislative and regulatory environments effecting the Company's business, the impact of competitive products and services, changes in the medical and laboratory industries caused by various factors, risks inherent in marketing new products, as well as other factors as set forth in this report. Thus, such forward-looking statements should not be relied upon to indicate the actual results which might be obtained by the Company. No representation or warranty of any kind is given with respect to the accuracy of such forward-looking information. The forward-looking information has been prepared by the management of the Company and has not been reviewed or compiled by independent public accountants.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. The Company's primary exposure to market risk is the interest rate risk associated with its short term money market investments. The Company does not have any financial instruments held for trading or other speculative purposes and does not invest in derivative financial instruments, interest rate swaps or other investments that alter interest rate exposure. The Company does not have any credit facilities with variable interest rates. Thus, the Company's operations are not exposed to financial risk that will have a material impact on its financial position and results of operation.

### Item 4. Controls and Procedures

#### Disclosure Controls and Procedures

The Company has established and maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) which are controls and other procedures of the Company that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Accounting Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Accounting Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and its Chief Accounting Officer have concluded that the Company's disclosure controls and procedures are effective.

There have been no changes in the Company's internal control over financial reporting during the Company's Fiscal Quarter ending July 31, 2009 that have materially affected or are likely to materially affect the Company's internal control over financial reporting.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings.

As of the end of the Company's Fiscal Quarter ending July 31, 2009, there are no material pending legal proceedings to which the Company or any of its subsidiaries is a party to of which any of their property is the subject.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the past three years, the Company has not sold securities which were not registered under the Securities Act.

Item 3. Defaults Upon Senior Securities.

(a) As of the end of the Company's Fiscal Quarter ending July 31, 2009, there have been no material defaults in the payment of principal, interest, a sinking or purchase fund installment, or any other material default not cured within 30 days, with respect to any indebtedness of the registrant or any of its significant subsidiaries exceeding 5 percent of the total assets of the Company and its consolidated subsidiaries.

(b) As of the end of the Company's Fiscal Quarter ending July 31, 2009, there have been no material arrearages in the payment of dividends and there has been no other material delinquency not cured within 30 days, with respect to any class of preferred stock of the Company which is registered or which ranks prior to any class of registered securities, or with respect to any class of preferred stock of any significant subsidiary of the Company.

Item 4. Submission of Matter to a Vote of Security Holders.

No matter has been submitted to a vote of security holders during the period covered by this report, through the solicitation of proxies or otherwise.

Item 5. Other Information.

(a) The Company is not required to disclose any information required to be disclosed in a report on Form 8-K during the period covered by this Form 10-Q. However, on August 28, 2009, the Company filed a Form 8-K with the Securities and Exchange Commission (the "Form 8-K") advising that Blackman Kallick, LLP ("Blackman Kallick") was dismissed as the Company's independent accountant. Blackman Kallick's report on the Company's financial statements for the fiscal years ended April 30, 2009 and April 30, 2008 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. The decision to change accountants was approved by the Company's Audit Committee.

The Company provided Blackman Kallick with a copy of the disclosure on the Form 8-K asking whether Blackman Kallick agreed by the statements made by the Company on the Form 8-K and, if not, stating the respect in which it does not agree. A copy of the letter furnished by Blackman Kallick in response to that request is filed as Exhibit 16.1 to the Form 8-K. On August 27, 2009, the Audit Committee also approved the engagement of Frank L. Sassetti & Company ("Sassetti & Company") as the Company's independent accountant to audit its financial statements for the fiscal year ended April 30, 2010 and to review its unaudited reports for the interim period

(b) During the Fiscal Quarter ending July 31, 2009, there have been no material changes to the procedures by which the security holders may recommend nominees to the Company's board of directors, where such changes were implemented after the Company last provided disclosure in response to the requirements of Regulation S-K.

Item 6. Exhibits.

The following exhibits are filed as a part of this report:

(2) Plan of Acquisition, reorganization, arrangement, liquidation or succession - none

(3) Articles of Incorporation and By-laws<sup>(i)</sup>

(4) Instruments defining rights of security holders, including indentures - none.

(10) Material Contracts – none.

(11) Statement regarding computation of per share earnings- none.

(15) Letter regarding unaudited interim financial information - none.

(18) Letter regarding change in accounting principals - none.

(19) Reports furnished to security holders - none.

(22) Published report regarding matters submitted to vote of security holders - none.

(23) Consents of experts and counsel - none.

(24) Power of Attorney - none.

(31.1) Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. Filed herewith.

(31.2) Certification of the Chief Accounting Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. Filed herewith.

(32.1) Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Sect. 1350. Filed herewith.

(32.2) Certification of the Chief Accounting Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Sect. 1350. Filed herewith.

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(i) Incorporated by reference to a Registration Statement filed on Form S-18 with the Securities and Exchange Commission, 1933 Act Registration Number 2-38015C, under the Securities Act of 1933, as amended, and Incorporated by reference, with regard to Amended and Restated By-Laws, to the Company's Current Statement on Form 8-K dated as of July 2, 2009 filed with the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Biosynergy, Inc.

Date September 14, 2009

/s/ Fred K. Suzuki

Fred K. Suzuki

Chief Executive Officer, Chairman of the Board, and  
President

Date September 14, 2009

/s/ Laurence C. Mead

Laurence C. Mead

Vice President/Manufacturing and Development,  
Chief Financial Officer, and Chief Accounting Officer

## EXHIBIT 31.1

### CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Fred K. Suzuki, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Biosynergy, 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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in 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 controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us 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 our supervision, 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;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our 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 in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our 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.

Dated: September 14, 2009

/s/ Fred K. Suzuki

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Fred K. Suzuki  
Chairman of the Board, Chief Executive  
Officer and President

## EXHIBIT 31.2

### CERTIFICATION OF CHIEF ACCOUNTING OFFICER

I, Laurence C. Mead, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Biosynergy, 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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in 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 controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us 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 our supervision, 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;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our 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 in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our 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.

Dated: September 14, 2009

/s/ Laurence C. Mead

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Laurence C. Mead  
Vice President/Manufacturing and  
Development, Chief Financial Officer,  
and Chief Accounting Officer



EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Report of Biosynergy, Inc. (the "Company") on Form 10-Q for the quarter ending July 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly represents, in all material respects, the financial conditions and results of operations of the Company as of July 31, 2009, and for the period then ended.

Biosynergy, Inc.

/s/ Fred K. Suzuki

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Fred K. Suzuki  
Chairman of the Board, Chief Executive  
Officer and President

Dated: September 14, 2009

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Report of Biosynergy, Inc. (the "Company") on Form 10-Q for the quarter ending July 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly represents, in all material respects, the financial conditions and results of operations of the Company as of July 31, 2009, and for the period then ended.

Biosynergy, Inc.

/s/ Laurence C. Mead

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Laurence C. Mead

Vice President/Manufacturing and Development,  
Chief Financial Officer, and Chief Accounting Officer

Dated: September 14, 2009