

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, 2014**

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

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

Commission file number **0-12459**

**Biosynergy, Inc.**

(Exact name of registrant as specified in its charter)

Illinois

(State or other jurisdiction of incorporation or organization)

36-2880990

(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)

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

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 CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer's classes of common stock, as of July 31, 2014: 14,935,511

BIOSYNERGY, INC.

PART 1 - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Balance Sheets

ASSETS		July 31, 2014	April 30, 2014
		Unaudited	Audited
<b>Current Assets</b>			
Cash		\$ 879,390	\$ 864,528
Accounts receivable. Trade (net of allowance for doubtful accounts of \$500 at July 31, 2014 and April 30, 2014)		168,780	190,749
Inventories		119,629	121,197
Prepaid expenses		<u>35,405</u>	<u>30,375</u>
Total Current Assets		<u>1,203,204</u>	<u>1,206,849</u>
<b>Equipment and leasehold improvements</b>			
Equipment		199,596	197,980
Leasehold improvements		<u>20,022</u>	<u>20,022</u>
		219,618	218,002
Less accumulated depreciation and amortization		<u>(188,545)</u>	<u>(185,366)</u>
Total Equipment and Leasehold Improvements Net		<u>31,073</u>	<u>32,636</u>
<b>Other Assets</b>			
Patents less accumulated amortization		25,542	26,116
Pending patents		98,335	87,825
Deposits		<u>5,937</u>	<u>5,937</u>
Total Other Assets		<u>129,814</u>	<u>119,878</u>
		<u>\$ 1,364,091</u>	<u>\$ 1,359,363</u>

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

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Liabilities and Shareholders' Equity

	July 31, 2014 Unaudited	April 30, 2014 Audited
Current Liabilities		
Accounts payable	\$ 22,503	\$ 14,436
Accrued compensation and payroll taxes	8,864	32,143
Medical device excise tax	1,680	1,616
Accrued Vacation	<u>37,768</u>	<u>28,714</u>
Total Current Liabilities	<u>70,815</u>	<u>76,909</u>
Deferred Income Taxes	<u>23,822</u>	<u>23,822</u>
Shareholder's Equity		
Common stock, no par value: 20,000,000 authorized shares issued: 14,935,511 shares at July 31, 2014 and April 30, 2014	660,988	660,988
Receivable from affiliate	(19,699)	(19,699)
Retained earnings	<u>628,165</u>	<u>617,343</u>
Total Shareholders' Equity	<u>1,269,454</u>	<u>1,258,632</u>
	<u>\$ 1,364,091</u>	<u>\$ 1,359,363</u>

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

Biosynergy, Inc.  
 Statements of Income  
 (unaudited)

	Three Months Ended July 31	
	<u>2014</u>	<u>2013</u>
Net sales	\$ 324,046	\$ 323,840
Cost of sales	<u>100,018</u>	<u>107,408</u>
Gross profit	<u>224,028</u>	<u>216,432</u>
Operating expenses		
Marketing	49,405	53,606
General and administrative	124,780	125,935
Research and development	<u>34,615</u>	<u>36,032</u>
Total Operating Expenses	<u>208,800</u>	<u>215,573</u>
Income from operations	<u>15,228</u>	<u>859</u>
Other income		
Interest income	106	161
Other income	<u>480</u>	<u>480</u>
Total Other Income	<u>586</u>	<u>641</u>
Net income before income taxes	15,814	1,500
Provision (benefit) for income taxes	<u>4,992</u>	<u>(2,037)</u>
Net income	<u>\$ 10,822</u>	<u>\$ 3,537</u>
Net income per common share - basic and diluted	<u>\$ -</u>	<u>\$ -</u>
Weighted-Average Shares of 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.

BIOSYNERGY, INC.  
STATEMENT OF SHAREHOLDERS' EQUITY  
THREE MONTHS ENDED JULY 31, 2014  
Unaudited

	Common Stock				
	<u>Shares</u>	<u>Amounts</u>	<u>Receivable from Affiliate</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, May 1, 2014	14,935,511	\$ 660,988	\$ (19,699)	\$ 617,343	\$ 1,258,632
Net Income	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,822</u>	<u>\$ 10,822</u>
Balance, July 31, 2014	14,935,511	\$ 660,988	\$ (19,699)	\$ 628,165	\$ 1,269,454

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

BIOSYNERGY, INC.

STATEMENTS OF CASH FLOWS

Unaudited

	<u>Three Months Ended July 31</u>	
	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Net income	\$ 10,822	\$ 3,537
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	3,753	2,112
Changes in assets and liabilities		
Accounts receivable	21,969	12,420
Inventories	1,568	(2,393)
Prepaid expenses and other	(5,030)	(4,900)
Accounts payable and accrued expenses	<u>(6,094)</u>	<u>(15,354)</u>
Total adjustments	<u>16,166</u>	<u>(8,115)</u>
Net cash (used in) provided by operating activities	<u>26,988</u>	<u>(4,578)</u>
Cash flow from investing activities		
Patents and patents pending	(10,510)	(6,392)
Purchase of equipment	<u>(1,616)</u>	<u>-</u>
Net cash used in investing activities	<u>(12,126)</u>	<u>(6,392)</u>
Increase (decrease) in cash and cash equivalents	<u>14,862</u>	<u>(10,970)</u>
Cash beginning period	<u>864,528</u>	<u>796,023</u>
Cash ending period	<u>\$ 879,390</u>	<u>\$ 785,053</u>
Supplemental cash flow information		
Interest paid	-	-
Income taxes paid	\$7,116	0

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

Biosynergy, Inc.

Notes to Financial Statements

Three Months Ended July 31, 2014 and 2013

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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, 2014 Annual Report on Form 10-K. The results of operations for the three months ended July 31, 2014 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 90.82% of the sales during the quarter ending July 31, 2014 and 92.13% during the quarter ending July 31, 2013. 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

The Company maintains all of its cash in various bank deposit accounts, which at times may exceed federally insured limits. No losses have been experienced on such accounts.

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, 2014 and 2013

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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 using 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 three to ten years.

Prepaid Expenses

Certain expenses, primarily insurance and income taxes, have been prepaid and will be used within one year.

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.

Patents relate to products that have been developed and are being marketed by the Company.

Patents pending relate to products under development. The Company is developing certain compounds intended for use as bacteria growth retardant agents for use in food and other products.

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.

Biosynergy, Inc.

Notes to Financial Statements

Three Months Ended July 31, 2014 and 2013

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

Income Per Common 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.

Comprehensive Income

Components of comprehensive income include amounts that are included in the comprehensive income but are excluded from net income. During the quarters ending July 31, 2014 and 2013, there were no 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 tax reporting purposes. The deferred 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 expense.

Biosynergy, Inc.

Notes to Financial Statements

Three Months Ended July 31, 2014 and 2013

**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

	<u>2014</u>	<u>2013</u>
Current		
Federal	\$ 3,521	\$(1,882)
State	<u>1,471</u>	<u>(155)</u>
Provision (benefit) for Income Taxes	<u>\$ 4,992</u>	<u>\$(2,037)</u>

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

	<u>Period ended July 31,</u>	
	<u>2014</u>	<u>2013</u>
U.S. federal statutory tax rate	34.0%	34.0%
State income tax expense, net of Federal tax benefit	5.0	5.0
Adjustment for prior year estimates	-	(71.7)
Effect of graduated federal tax rates	<u>(7.4)</u>	<u>(5.8)</u>
Effective Tax Rate	<u>31.6%</u>	<u>(38.5)%</u>

Recent Accounting Pronouncements

The FASB issues ASUs to amend the authoritative literature in Accounting Standards Certification (ASC). There have been a number of ASUs to date that amend the original text of ASCs. Those ASUs issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to the Company or (iv) are not expected to have a significant impact on the Company.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2016, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements and have not yet determined the method by which we will adopt the standard as of May 1, 2017.

Biosynergy, Inc.

Notes to Financial Statements

Three Months Ended July 31, 2014 and 2013

**Note 3 – Inventories**

Components of inventories are as follows:

	July 31, 2014	April 30, 2014
Raw materials	\$ 79,788	\$ 94,266
Work-in-process	19,382	16,391
Finished goods	<u>20,459</u>	<u>10,540</u>
	<u>\$119,629</u>	<u>\$121,197</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 July 31, 2014:

	Stock of Affiliates		
	Biosynergy, Inc.	F.K. Suzuki International, Inc.	Medlab, Inc.
F.K. Suzuki International, Inc	30.0%	- %	100.0%
Fred K. Suzuki, Officer	4.1	30.0	-
Lauane C. Addis, Officer	-	-	-
Jeanne S. Addis, Trustee	-	28.1	-
James F. Schembri, Director	8.6	-	-
Mary K. Friske, Officer	.3	.7	-
Laurence C. Mead, Officer	.4	10.0 <sup>(1)</sup>	-
Beverly K. Suzuki, Officer	2.7	-	-

(1) Effective December 13, 2013, Fred K. Suzuki and Jeanne S. Addis, Trustee, each gifted 3,051 shares each of F.K. Suzuki International, Inc. ("FKSI") common stock to Laurence C. Mead. As a result of these gifts, Laurence C. Mead currently owns 10,102 shares, or approximately 10% of the outstanding common stock of FKSI.

Biosynergy, Inc.

Notes to Financial Statements

Three Months Ended July 31, 2014 and 2013

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**Note 5 - Related Party Transactions (continued)**

As of July 31, 2014, \$19,699 was due from F. K. Suzuki International, Inc. These balances result from an allocation of common expenses charged to FKSI prior to April 30, 2006 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, the receivable balance has been reclassified as a contra equity account since April 30, 2006.

**Note 6 - Major Customers**

Shipments to one customer amounted to 35.19% of sales during the first three months of Fiscal 2015 compared to 35.61% during the comparative Fiscal 2014 period. As of July 31, 2014, there were outstanding accounts receivable from this customer of \$78,150 compared to \$69,230 at July 31, 2013. Shipments to another customer amounted to 31.97% of sales during the first three months of Fiscal 2015 and 29.11% of sales during the first three months of Fiscal 2014. As of July 31, 2014, there were outstanding accounts receivable from this customer of \$42,540 compared to \$34,805 at July 31, 2013.

## **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, 2014 ("1<sup>st</sup> Quarter"), the net sales increased .06%, or \$206, as compared to net sales for the comparative quarter ending in 2013. Net sales increased by 5.15% during the quarter ending July 31, 2013 compared to net sales for the comparative quarter ending in 2012. The increase in net sales during the quarter ending July 31, 2013 was primarily due to an increase in sales of HemoTemp<sup>R</sup> II. During the 1<sup>st</sup> Quarter, sales of HemoTemp<sup>R</sup> II decreased by \$4,060 resulting in net sales overall remaining flat compared to net sales during the 1<sup>st</sup> Quarter ending July 31, 2013. As of July 31, 2014, the Company had no back orders.

In addition to the above, during the 1<sup>st</sup> Quarter the Company had \$586 of other miscellaneous revenues primarily from leasing a portion of its storage space to a third party and interest income of \$106.

### Costs and Expenses

#### General

The operating expenses of the Company during the 1<sup>st</sup> Quarter decreased overall by 3.14%, or \$6,773, as compared to the 1<sup>st</sup> Quarter in 2013, primarily due to a decrease in marketing and research and development expenses.

#### Cost of Sales

The cost of sales during the 1<sup>st</sup> Quarter decreased by \$7,390 as compared to these expenses during the same quarter ending in 2013. This decrease was due primarily to lower chemical costs. As a percentage of sales, the cost of sales was 30.87% during the 1<sup>st</sup> Quarter and 33.17% for the comparative quarter ending in 2013. Subject to unanticipated increases in raw materials or extraordinary occurrences, it is not anticipated that the cost of sales as a percentage of sales will materially change in the near future.

#### Research and Development Expenses

Research and Development costs decreased \$1,417, or 3.93%, as compared to the same quarter in 2013. This decrease was primarily due to fewer lab supply purchases and no new prototype expenses. 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 decreased by \$4,018 or 7.84%, as compared to the quarter ending July 31, 2013. The Company experienced a decrease in marketing expenses such as postage, entertainment, health insurance and product marketing materials during the 1<sup>st</sup> Quarter accounting for the overall decrease in marketing expenses.

#### General and Administrative Expenses

General and administrative costs decreased by \$1,155, or .92%, as compared to the 1<sup>st</sup> Quarter ending in 2013. This decrease was primarily the result of a decrease in office supplies, telephone expenses and order

processing. Except for unforeseen expenses, it is unlikely general and administrative expenses will materially change during Fiscal 2015.

### Net Income

The Company realized net income of \$10,822 during the 1<sup>st</sup> Quarter as compared to a net income of \$3,537 for the comparative quarter of the prior year. The increase in net income was primarily a result of lower overall cost of goods sold, and marketing and research and development expenses, as sales remained flat.

### Assets/Liabilities

#### General

Since April 30, 2014 the Company's assets have increased by \$4,728 and liabilities have decreased by \$6,094. The increase in assets (primarily cash and prepaid expenses) and the decrease in liabilities (primarily accrued compensation) is primarily a result of the Company's positive cash flow from operations due to decrease in expenses.

#### Related Party Transactions

The Company was owed \$19,699 by F.K. Suzuki International, Inc. ("FKSI"), an affiliate, at July 31, 2014 and April 30, 2014. This account primarily represents common expenses which were previously charged by the Company to FKSI for reimbursement. No interest is received or accrued by the Company. Collectability of the amounts due from FKSI since April 30, 2006 could not 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, as of April 30, 2006, all of the amount owed by FKSI to the Company was reclassified as a reduction of FKSI's capital in the Company.

A board member provides a variety of legal services to the Company in his capacity as a partner in a law firm. Fees for such legal services were approximately \$19,150 and \$13,438 at July 31, 2014 and 2013, respectively.

### Current Assets/Liabilities Ratio

The ratio of current assets to current liabilities, 16.99 to 1, has increased compared to 15.69 to 1 at April 30, 2014, primarily due to a higher percentage decrease in current liabilities than the percentage decrease in current assets. This increase 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 decrease in liabilities was due primarily to a decrease in accrued compensation and payroll taxes related to year-end bonuses paid during the 1<sup>st</sup> Quarter.

### Liquidity and Capital Resources

During the 1<sup>st</sup> Quarter, the Company experienced an increase in working capital of \$2,449. This was primarily due to an increase in cash and prepaid expenses.

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 finished

inventory and raw materials 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 \$26,988 during the three month period ending July 31, 2014. Cash used in investing activities was \$12,126. Of this amount, \$10,510 was used for patent application expenditures and \$1,616 was used for the purchase of new equipment during the three month period ending July 31, 2014. 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, 2014.

As of July 31, 2014, the Company had \$1,203,204 of current assets available. Of this amount, \$35,405 was prepaid expenses, \$119,629 was inventory, \$168,780 was net trade receivables and \$879,390 was cash. The Company's available cash and cash flow are considered adequate to fund the short-term capital needs of the Company. 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:

Use of Estimates. Preparation of financial statements and 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. The financial condition of the Company and results of operations may differ from the estimates and assumptions made by management in preparation of the Financial Statements accompanying this report.

Allowance for Bad Debts. The Company periodically performs credit evaluations of its customers and generally does not require collateral to support amounts due from the sale of its products. The Company maintains an allowance for doubtful accounts based on its best estimate of accounts receivable.

## 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, 2014 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, 2014, 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, 2014, 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, 2014, 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. Mine Safety Disclosures.**

The disclosures required by this Item are not applicable to the Company.

### **Item 5. Other Information.**

(a) The Company is not required to disclose any information in this Form 10-Q otherwise required to be disclosed in a report on Form 8-K during the period covered by this Form 10-Q.

(b) During the Fiscal Quarter ending July 31, 2014, 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 principles - 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 15, 2014

/s/ Fred K. Suzuki

Fred K. Suzuki

Chief Executive Officer, Chairman of the Board, and President

Date September 15, 2014

/s/ Laurence C. Mead

Laurence C. Mead

Chief Operating Officer, Chief Financial Officer, Chief  
Accounting Officer and Treasurer

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 disclosure 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 15, 2014

/s/ Fred K. Suzuki

Fred K. Suzuki  
Chief Executive Officer

## 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 disclosure 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 15, 2014

/s/ Laurence C. Mead  
Laurence C. Mead  
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, 2014, 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, 2014, and for the period then ended.

Biosynergy, Inc.

/s/ Fred K. Suzuki

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

Dated: September 15, 2014

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, 2014, 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, 2014, and for the period then ended.

Biosynergy, Inc.

/s/ Laurence C. Mead

Laurence C. Mead  
Chief Operating Officer, Chief Financial Officer,  
Chief Accounting Officer and Treasurer

Dated: September 15, 2014