

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 **January 31, 2018**

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 of other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

1940 East Devon Avenue, Elk Grove Village, Illinois 847-956-0471
60007
(Address of principal executive offices) (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 equity, as of January 31, 2018: 14,935,511

BIOSYNERGY, INC.

PART 1 – FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Balance Sheets

ASSETS		
	January 31, 2018 Unaudited	April 30, 2017 Audited
Current Assets		
Cash	\$ 1,132,692	\$ 1,040,582
Accounts receivable, trade (net of allowance for doubtful accounts of \$500 at January 31, 2018 and April 30, 2017)	230,274	267,545
Inventories	133,939	186,312
Prepaid expenses	52,233	32,165
Total Current Assets	1,549,138	1,526,604
Equipment and leasehold improvements		
Equipment	201,764	201,764
Leasehold improvements	23,447	23,447
	225,211	225,211
Less accumulated depreciation and amortization	(212,882)	(205,326)
Total Equipment and Leasehold Improvements Net	12,329	19,885
Other Assets		
Patents less accumulated amortization	63,858	70,372
Pending patents	69,420	69,420
Deposits	5,937	5,937
Total Other Assets	139,215	145,729
	\$ 1,700,682	\$ 1,692,218

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

BIOSYNERGY, INC.

PART 1 – FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS EQUITY

	January 31, 2018 Unaudited	April 30, 2017 Audited
Current Liabilities		
Accounts payable	\$ 12,835	\$ 3,842
Accrued compensation and payroll taxes	18,903	42,472
Other accrued liabilities	1,369	3,589
Accrued Vacation	18,656	21,795
Total Current Liabilities	<u>51,763</u>	<u>71,698</u>
Deferred Income Taxes	<u>34,800</u>	<u>34,800</u>
Shareholder's Equity		
Common stock, no par value: 20,000,000 authorized shares issued: 14,935,511 shares at January 31, 2018 and April 30, 2017	660,988	660,988
Receivable from affiliate	(19,699)	(19,699)
Retained earnings	972,830	944,431
Total Shareholders' Equity	<u>1,614,119</u>	<u>1,585,720</u>
	<u>\$ 1,700,682</u>	<u>\$ 1,692,218</u>

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

BIOSYNERGY, INC.

PART 1 – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

STATEMENTS OF INCOME
(unaudited)

	Three Months Ended		Nine Months Ended	
	January 31		January 31	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net sales	\$ 309,653	\$ 342,320	\$ 933,072	\$ 982,713
Cost of sales	<u>115,861</u>	<u>89,898</u>	<u>303,072</u>	<u>277,075</u>
Gross profit	<u>193,792</u>	<u>252,422</u>	<u>630,000</u>	<u>705,638</u>
Operating expenses				
Marketing	47,820	45,821	141,355	139,400
General and administrative	96,472	92,325	320,568	305,799
Research and development	<u>43,038</u>	<u>41,856</u>	<u>133,603</u>	<u>121,747</u>
Total Operating Expenses	<u>187,330</u>	<u>180,002</u>	<u>595,526</u>	<u>566,946</u>
Income from operations	<u>6,462</u>	<u>72,420</u>	<u>34,474</u>	<u>138,692</u>
Other income				
Interest income	89	98	304	313
Other income	<u>480</u>	<u>480</u>	<u>1,440</u>	<u>1,440</u>
Total Other Income	<u>569</u>	<u>578</u>	<u>1,744</u>	<u>1,753</u>
Net income before income taxes	7,031	72,998	36,218	140,445
Provision for income taxes	<u>1,934</u>	<u>23,392</u>	<u>7,819</u>	<u>44,381</u>
Net income	<u>\$ 5,097</u>	<u>\$ 49,606</u>	<u>\$ 28,399</u>	<u>\$ 96,064</u>
Net income per common share - basic and diluted	<u>\$.000</u>	<u>\$.003</u>	<u>\$.002</u>	<u>\$.006</u>
Weighted-Average Shares of Common Stock Outstanding - Basic and Diluted	<u>14,935,511</u>	<u>14,935,511</u>	<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

Nine Months Ended January 31, 2018

(Unaudited)

	<u>Common Stock</u>		<u>Other and Related Receivable</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balance, May 1, 2017	14,935,511	\$ 660,988	\$ (19,699)	\$ 944,431	\$ 1,585,720
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,399</u>	<u>28,399</u>
Balance, January 31, 2018	<u>14,935,511</u>	<u>\$ 660,988</u>	<u>\$ (19,699)</u>	<u>\$ 972,830</u>	<u>\$ 1,614,119</u>

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

BIOSYNERGY, INC.
STATEMENT OF CASH FLOWS

(Unaudited)

	<u>Nine Months Ended January 31</u>	
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Net income	\$ 28,399	\$ 96,064
Adjustments to reconcile net income to cash (used in) provided by operating activities		
Depreciation and amortization	14,070	12,894
Changes in assets and liabilities		
Accounts receivable	37,271	(80,048)
Inventories	52,373	(76,193)
Prepaid expenses and other	(20,068)	(6,733)
Accounts payable and accrued expenses	<u>(19,935)</u>	<u>(756)</u>
Total adjustments	<u>63,711</u>	<u>(150,836)</u>
Net cash (used in) provided by operating activities	<u>92,110</u>	<u>(54,772)</u>
Cash flow from investing activities		
Patents and patents pending	---	(8,632)
Purchase of equipment	<u>---</u>	<u>(6,737)</u>
Net cash used in investing activities	<u>---</u>	<u>(15,369)</u>
Increase (decrease) in cash and cash equivalents	<u>92,110</u>	<u>(70,141)</u>
Cash beginning period	<u>1,040,582</u>	<u>1,091,649</u>
Cash ending period	<u>\$ 1,132,692</u>	<u>\$ 1,021,508</u>
Supplemental cash flow information		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ 21,300</u>	<u>\$ 29,400</u>

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

BIOSYNERGY, INC.

NOTES TO FINANCIAL STATEMENTS

Nine Months Ended January 31, 2018 and 2017

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, 2017 Annual Report on Form 10-K. The results of operations for the nine months ended January 31, 2018 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^R II Blood Monitoring Device, accounted for approximately 91.03% of the sales during the quarter ending January 31, 2018 and 92.18% during the nine month period ending January 31, 2018. 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 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 beyond the stipulated due date. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Inventories

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

BIOSYNERGY, INC.

NOTES TO FINANCIAL STATEMENTS

Nine Months Ended January 31, 2018 and 2017

Depreciation

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. Depreciation expense was \$7,556 and \$6,380 for the nine month periods ending January 31, 2018 and 2017, respectively.

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

Patent amortization expense for both the nine months ended January 31, 2018 and 2017 was \$6,514. Patents related to products that have been developed by the Company. Patents pending relate to products under development.

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

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

Nine Months Ended January 31, 2018 and 2017

Comprehensive Income

Components of comprehensive income include amounts that are included in the comprehensive income but are excluded from net income. During the three and nine month periods ending January 31, 2018 and 2017, there were no differences between the Company's net income and comprehensive income.

Note 2 – Summary of Significant Accounting Policies (Continued)

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 implemented ASU 2015-17 during the quarter ended October 31, 2017 on a retrospective basis, and has classified its net deferred tax liabilities as non-current.

The Company files tax returns in the U.S. federal jurisdiction and with the state of Illinois. Various tax years remain open to examinations, generally for three years after filed, 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.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was signed into law. Among other provisions, the Act reduces the Federal statutory corporate income tax rate from 35% to 21%. This rate reduction has been applied in the provision for income tax calculation below and did not result in a material change to the deferred tax liability for the quarter ended January 31 2018.

The provision for income taxes consists of the following components for the nine months ended January 31:

	<u>2018</u>	<u>2017</u>
Current		
Federal	\$ 5,012	\$ 33,496
State	<u>2,807</u>	<u>10,885</u>
Provision for Income Taxes	<u>\$ 7,819</u>	<u>\$ 44,381</u>

BIOSYNERGY, INC.

NOTES TO FINANCIAL STATEMENTS

Nine Months Ended January 31, 2018 and 2017

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

	<u>Nine Months ended January 31,</u>	
	<u>2018</u>	<u>2017</u>
U.S. federal statutory tax rate	29.7%	34.0%
State income tax expense, net of Federal tax benefit	5.0	5.0
Effect of graduated federal tax rates and other	<u>(13.1)</u>	<u>(7.4)</u>
Effective Tax Rate	<u>21.6%</u>	<u>31.6%</u>

BIOSYNERGY, INC.

NOTES TO FINANCIAL STATEMENTS

Nine Months Ended January 31, 2018 and 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

On February 25, 2016, the FASB issued Topic 842, its highly-anticipated leasing standard for both lessees and lessors. Under its core principle, a lessee will recognize lease assets and liabilities on the balance sheet for all arrangements with terms longer than 12 months. Lessor accounting remains largely consistent with existing U.S. GAAP. The amendments are effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. At inception, a lessee must classify all leases as either finance or operating. The Company intends to adopt Topic 842 upon extension of the current lease for its facilities in Elk Grove Village or upon entering into a new lease agreement for alternative facilities on or about May 1, 2018. The Company is investigating the effect of adoption of Topic 842 on its results of operations and financial condition. However, it is not anticipated that adoption of Topic 842 will have a material impact on the results of operations or financial condition of the Company.

In May 2014, the Financial Accounting Standard Board (FASB) issued ASU 2014-09, Revenue from Contract with Customers (Topic 606) (“ASU 2014-09”). ASU 2014-09 and subsequent amendments supersede the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is effective for annual periods beginning after December 15, 2017, 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 financial statements and have not yet determined the method by which we will adopt the standards as of May 1, 2018.

Note 3 – Inventories

Components of inventories are as follows:

	January 31, 2018	April 30, 2017
Raw materials	\$106,194	\$142,713
Work-in-process	15,742	16,752
Finished goods	12,003	26,847
	<u>\$133,939</u>	<u>\$186,312</u>

BIOSYNERGY, INC.

NOTES TO FINANCIAL STATEMENTS

Nine Months Ended January 31, 2018 and 2017

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 January 31, 2018:

	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	-
Mary K. Friske, Officer	.3	.7	-
Laurence C. Mead, Officer	.4	10.0	-
Beverly K. Suzuki, Officer	2.7	-	-

As of January 31, 2018, \$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.

A board member provided 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 \$21,988 and \$15,848 for the nine months ended January 31, 2018 and 2017, respectively.

Note 6 – Lease Commitments

In January 2015, the Company entered into a three-year lease agreement for its current facilities, which expires on April 30, 2018. The base rent under the lease escalates over the life of the lease. However, rent expense is recorded on a straight-line basis as required by accounting principles generally accepted in the United States of America. As of January 31, 2018, the Company's approximate total future minimum lease payments are as follows:

BIOSYNERGY, INC.

NOTES TO FINANCIAL STATEMENTS

Nine Months Ended January 31, 2018 and 2017

Year Ending April 30:

2018	22,319
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Also included in the lease agreement are escalation clauses for the lessor's increases in property taxes and other operating expenses. The Company is currently in negotiations to extend the lease agreement.

Note 7 – Customer Concentrations

Shipments to one customer amounted to 28.24% of sales during the first nine months of Fiscal 2018 compared to 27.1% during the comparative Fiscal 2017 period. As of January 31, 2018, there were outstanding accounts receivable from this customer of \$54,732 compared to \$67,535 at January 31, 2017. Shipments to another customer amounted to 36.67% of sales during the first nine months of Fiscal 2018 and 36.7% of sales during the first nine months of Fiscal 2017. As of January 31, 2018, there were outstanding accounts receivable from this customer of \$136,466 compared to \$152,440 at January 31, 2017.

The Company had export sales of \$32,120 during the first nine months of Fiscal 2018, and export sales of \$7,160 during the Quarter ending January 31, 2018. The Company had export sales of \$46,595 during the first nine months of Fiscal 2017, and export sales of \$16,505 during the Quarter ending January 31, 2017. The Company also believes that some of its medical devices were sold to distributors within the United States who resold the devices in foreign markets. However, the Company does not have any information regarding such sales and such sales are not considered to be material.

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

Net Sales/Revenues

For the three month period ending January 31, 2018 ("3rd Quarter"), the net sales decreased 9.54%, or \$32,667, and decreased 5.05%, or \$49,641, during the nine month period ending January 31, 2018, as compared to net sales for the comparative periods ending in 2017. The decrease in sales during the three and nine month periods ending January 31, 2018 is primarily the result of lower HemoTemp^R II and TempTrend sales. At January 31, 2018 there were no back orders.

In addition, during the 3rd Quarter the Company had \$569 of miscellaneous revenues primarily from interest income and leasing a portion of its storage space to an unrelated party.

Costs and Expenses

General

The operating expenses of the Company during the 3rd Quarter increased overall by 4.07%, or \$7,328, as compared to the 3rd quarter in 2017 primarily due to an increase in employee wages, FDA user fees and legal fees. The operating expenses of the Company increased by 5.04% or \$28,580 for the nine month period ending January 31, 2018, as compared to the nine month period ending January 31, 2017 primarily due to an increase in legal fees, general insurance and chemical waste disposal fees.

BIOSYNERGY, INC.

NOTES TO FINANCIAL STATEMENTS

Nine Months Ended January 31, 2018 and 2017

Cost of Sales

The cost of sales during the 3rd Quarter increased by \$25,963, and also increased by \$25,997 during the nine month period ending January 31, 2018 as compared to these expenses during the same periods ending in 2017. The increase in the cost of sales during the 3rd Quarter was primarily due to the addition of a full-time employee and an increase in the cost of health insurance and certain raw materials. As a percentage of sales, the cost of sales were 37.42% during the 3rd Quarter, 26.26% for the comparative quarter ending in 2017, and 32.48% during the nine month period ending January 31, 2018 compared to 28.19% in 2017. Subject to unanticipated changes in the price of 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 increased \$1,182, or 2.82%, during the 3rd Quarter as compared to the same quarter in 2017. These costs increased by \$11,856, or 9.74%, during the nine month period ending January 31, 2018 as compared to the same period in 2017. The overall cost in research and development expense increased during the nine months due to chemical waste disposal fees, consulting fees and higher FDA user fees. The Company is continuing its investigation and development of certain products intended to improve and expand its current product line. The Company does not have sufficient information to determine the extent to which its resources will be required to complete the development of such products.

Marketing Expenses

Marketing expenses for the 3rd Quarter increased by \$1,999, or 4.36%, as compared to the quarter ending January 31, 2017. These costs increased by \$1,955, or 1.40%, during the nine month period ending January 31, 2018 as compared to the same period in 2017. The increase is primarily due to higher employee costs.

General and Administrative Expenses

General and administrative costs for the 3rd Quarter increased by \$4,147, or 4.49%, as compared to the 3rd quarter ending January 31, 2017, primarily due to higher legal fees and employee expenses. General and administrative costs have increased overall by \$14,769, or 4.83%, during the nine month period ending January 31, 2018, as compared to the same periods in 2017, primarily due to higher legal fees, general insurance and employee expenses.

Net Income

The Company realized a net income of \$5,097 during the 3rd Quarter as compared to a net income of \$49,606 for the comparative quarter in the prior year primarily due to lower sales during the 3rd quarter. The Company also realized a net income of \$28,399 for the nine month period ending January 31, 2018 as compared to a net income of \$96,064 during the same period in 2017. This decrease in net income is due to an overall decrease in sales.

BIOSYNERGY, INC.

NOTES TO FINANCIAL STATEMENTS

Nine Months Ended January 31, 2018 and 2017

Assets/Liabilities

General

Since April 30, 2017, the Company's assets have increased by \$8,464 and liabilities have decreased by \$19,935. The increase in assets, such as cash and prepaid expenses, is a result of the Company's continued profitability and cash generated from operations.

Related Party Transactions

The Company was owed \$19,699 by F.K. Suzuki International, Inc. ("FKSI"), an affiliate, at January 31, 2018 and April 30, 2017. 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.

Current Assets/Liabilities Ratio

The ratio of current assets to current liabilities, 29.93 to 1, has increased compared to 21.29 to 1 at April 30, 2017. This increase in ratio of current assets to current liabilities is a result of increased cash and prepaid expenses and a reduction in accrued expenses. In order to maintain or improve the Company's asset/liabilities ratio, the Company's operations must remain profitable.

Liquidity and Capital Resources

During the nine month period ending January 31, 2018, the Company experienced an increase in working capital of \$42,469. This is primarily due to the Company's increase in cash and prepaid expenses and a reduction in accrued 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 material portion of the Company's investment in current assets.

BIOSYNERGY, INC.

NOTES TO FINANCIAL STATEMENTS

Nine Months Ended January 31, 2018 and 2017

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

Cash provided by operating activities was \$92,110 during the nine month period ending January 31, 2018. Nothing was used for equipment purchases or patent application expenditures during this same period. Except for its operating working capital, 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 nine month periods ending January 31, 2018 or 2017.

As of January 31, 2018, the Company had \$1,549,138 of current assets available. Of this amount, \$52,233 was prepaid expenses, \$133,939 was inventory, \$230,274 was net trade receivables and \$1,132,692 was cash. The Company's available cash and cash flow from operations is considered adequate to fund the short-term operating 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. There is a risk financing may be necessary to fund long-term capital needs of the Company.

Effects of Inflation. With the exception of inventory 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 3rd 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 used 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.

BIOSYNERGY, INC.

NOTES TO FINANCIAL STATEMENTS

Nine Months Ended January 31, 2018 and 2017

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 collectability 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. Historically, the Company's primary exposure to market risk has been interest rate risk associated with its short term money market investments. The Company currently does not have any 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. Thus, the Company does not have any credit facilities with variable interest rates. 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

BIOSYNERGY, INC.

NOTES TO FINANCIAL STATEMENTS

Nine Months Ended January 31, 2018 and 2017

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 January 31, 2018 that have materially affected or are likely to materially affect the Company's internal control over financial reporting.

BIOSYNERGY, INC.

NOTES TO FINANCIAL STATEMENTS

Nine Months Ended January 31, 2018 and 2017

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

As of the end of the Company's Fiscal Quarter ending January 31, 2018, 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 1A. Risk Factors.

In addition to the other information set forth in this report on Form 10-Q, you should also consider the factors, risks and uncertainties which could materially affect the Company's business, financial condition or future results as discussed in Part I, Item 1A – "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended April 30, 2017. There were no significant changes to the risk factors identified on the Form 10-K for the fiscal year ended April 30, 2017 or during the third quarter of Fiscal 2018.

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.

The disclosures required by this Item are not applicable to 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 January 31, 2018, 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⁽ⁱ⁾

BIOSYNERGY, INC.

NOTES TO FINANCIAL STATEMENTS

Nine Months Ended January 31, 2018 and 2017

- (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.

BIOSYNERGY, INC.

NOTES TO FINANCIAL STATEMENTS

Nine Months Ended January 31, 2018 and 2017

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: March 19, 2018

/s/ Fred K. Suzuki

Fred K. Suzuki

Chief Executive Officer, Chairman of the Board, and President

Date: March 19, 2018

/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 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: March 19, 2018

/s/ Fred K. Suzuki

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: March 19, 2018

/s/ Laurence C. Mead

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 January 31, 2018, 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 January 31, 2018, 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: March 19, 2018

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 January 31, 2018, 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 January 31, 2018, and for the period then ended.

Biosynergy, Inc.

/s/ Laurence C. Mead

Laurence C. Mead

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

Dated: March 19, 2018