

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, 2011  
 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 small business issuer as specified in its charter)

Illinois

36-2880990

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

1940 East Devon Avenue, Elk Grove Village, Illinois 60007

(Address of principal executive offices)

847-956-0471

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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 February 28, 2010: 14,935,511

BIOSYNERGY, INC.

PART 1 - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Balance Sheets

ASSETS		
	January 31, 2011 Unaudited	April 30, 2010 Audited
<b>Current Assets</b>		
Cash	\$658,257	\$426,569
Short-Term Investments	-	100,000
Accounts receivable, Trade (Net of allowance for doubtful accounts of \$500 at January 31, 2011 and April 30, 2010)	156,858	149,033
Inventories	83,268	124,666
Prepaid Expenses	25,912	34,342
Interest Receivable	<u>-</u>	<u>11</u>
Total Current Assets	<u>924,295</u>	<u>834,621</u>
<b>Equipment and Leasehold Improvements</b>		
Equipment	198,906	200,923
Leasehold Improvements	<u>20,022</u>	<u>20,022</u>
	218,928	220,945
Less Accumulated Depreciation and Amortization	<u>(201,571)</u>	<u>(198,975)</u>
Total Equipment and Leasehold Improvements, Net	<u>17,357</u>	<u>21,970</u>
<b>Other Assets</b>		
Patents less Accumulated Amortization	14,089	14,882
Pending Patents	136,797	106,268
Deposits	<u>5,947</u>	<u>5,947</u>
Total Other Assets	<u>156,833</u>	<u>127,097</u>
	<u>\$1,098,485</u>	<u>\$983,688</u>

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

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Liabilities and Shareholders' Equity

	January 31, 2011 Unaudited	April 30, 2010 Audited
Current Liabilities		
Accounts Payable	\$37,745	\$12,892
Accrued Compensation and Payroll Taxes	18,873	20,406
Deferred Rent	-	3,152
Income Taxes Payable	3,316	-
Accrued Vacation	13,895	14,294
Other Accrued Expenses	<u>5,692</u>	<u>-</u>
Total Current Liabilities	<u>79,521</u>	<u>50,744</u>
Deferred Income Taxes	<u>17,772</u>	<u>17,772</u>
Shareholder's Equity		
Common Stock, No Par Value; 20,000,000 Authorized Shares Issued: 14,935,511 Shares at January 31, 2011 and at April 30, 2010	660,988	660,988
Receivable from Affiliate	(19,699)	(19,699)
Retained Earnings	<u>359,903</u>	<u>273,883</u>
Total Shareholders' Equity	<u>1,001,192</u>	<u>915,172</u>
	<u>\$1,098,485</u>	<u>\$983,688</u>

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

Biosynergy, Inc.

Statements of Operations  
(unaudited)

	Three Months Ended		Nine Months Ended	
	January 31		January 31	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Net Sales	\$298,725	\$265,295	\$862,882	\$811,063
Cost of Sales	<u>94,717</u>	<u>75,869</u>	<u>260,482</u>	<u>226,478</u>
Gross Profit	<u>204,008</u>	<u>189,426</u>	<u>602,400</u>	<u>584,585</u>
Operating Expenses				
Marketing	38,262	37,353	113,212	106,547
General and Administrative	89,574	88,423	298,953	323,193
Research and Development	<u>23,005</u>	<u>22,038</u>	<u>71,618</u>	<u>68,521</u>
Total Operating Expenses	<u>150,841</u>	<u>147,814</u>	<u>483,783</u>	<u>498,261</u>
Income from Operations	<u>53,167</u>	<u>41,612</u>	<u>118,617</u>	<u>86,324</u>
Other Income				
Interest Income	483	1,386	1,148	4,219
Other Income	<u>481</u>	<u>480</u>	<u>1,441</u>	<u>1,440</u>
Total Other Income	<u>964</u>	<u>1,866</u>	<u>2,589</u>	<u>5,659</u>
Net Income Before Income Taxes	54,131	43,478	121,206	91,983
Provision for Income Taxes	<u>15,721</u>	<u>14,905</u>	<u>35,186</u>	<u>27,448</u>
Net Income	<u>\$38,410</u>	<u>\$28,573</u>	<u>\$86,020</u>	<u>\$64,535</u>
Net Income Per Common Share –				
Basic and Diluted	\$ -	\$ -	\$ -	\$ -
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 condensed financial statements.

BIOSYNERGY, INC.  
STATEMENT OF SHAREHOLDERS' EQUITY  
NINE MONTHS ENDED January 31, 2011

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, 2010	14,935,511	\$660,988	(\$19,699)	\$273,883	\$915,172
Net Income	-	-	-	86,020	86,020
Balance, January 31, 2011	<u>14,935,511</u>	<u>\$660,988</u>	<u>(\$19,699)</u>	<u>\$359,903</u>	<u>\$1,001,192</u>

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

BIOSYNERGY, INC.

STATEMENTS OF CASH FLOWS  
Unaudited

	<u>Nine Months Ended January 31</u>	
	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Net Income	\$86,020	\$64,535
Adjusted to Reconcile Net Income to Cash Provided by Operating Activities		
Depreciation and Amortization	12,900	13,138
Changes in Assets and Liabilities		
Accounts Receivable	(7,825)	27,321
Inventories	41,398	(33,997)
Prepaid Expenses	8,430	18,135
Interest Receivable	11	(2,234)
Accounts Payable and Accrued Expenses	<u>28,777</u>	<u>(1,193)</u>
Total Adjustments	<u>83,691</u>	<u>21,170</u>
Net Cash Provided by Operating Activities	<u>169,711</u>	<u>85,705</u>
Cash Flow from Investing Activities		
Patents and Patents Pending	(30,528)	(18,366)
Equipment and Leasehold Improvements	(7,495)	(1,762)
Redemption of Short-term Investments	<u>100,000</u>	<u>-</u>
Net Cash Provided by (Used in) Investing Activities	<u>61,977</u>	<u>(20,128)</u>
Increase in Cash and Cash Equivalents	<u>231,688</u>	<u>65,577</u>
Cash Beginning Period	<u>426,569</u>	<u>285,395</u>
Cash Ending Period	<u>\$658,257</u>	<u>\$350,972</u>

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

Biosynergy, Inc.

Notes to Financial Statements

Three and Nine Months Ended January 31, 2011 and 2010

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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 April 30, 2010 Annual Report on Form 10-K of Biosynergy, Inc. (the Company). The results of operations for the nine months ended January 31, 2011 are not necessarily indicative of the operating results for the full year.

The Company was incorporated under the laws of the State of Illinois on February 9, 1976. It is primarily engaged in the development and marketing of medical, consumer and industrial thermometric and thermographic products that utilize cholesteric liquid crystals. The Company's primary product, the HemoTemp II Blood Monitoring Device, accounted for approximately 92.41% of the sales during the quarter ending January 31, 2011. 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 for more than 30 days. 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

Three and Nine Months Ended January 31, 2011 and 2010

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Note 2 - Summary of Significant Accounting Policies (Continued)

Depreciation and Amortization

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

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 and Nine Months Ended January 31, 2011 and 2010

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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. There were no significant differences between the Company's net income and comprehensive income.

Income Taxes

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

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

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

	<u>2011</u>	<u>2010</u>
Current		
Federal	\$ 26,096	\$ 20,549
State	<u>9,090</u>	<u>6,899</u>
Provision for Income Taxes	<u>\$ 35,186</u>	<u>\$ 27,448</u>

Biosynergy, Inc.

Notes to Financial Statements

Three and Nine Months Ended January 31, 2011 and 2010

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Note 2 - Summary of Significant Accounting Policies (Continued)

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

	Period Ended January 31,	
	<u>2011</u>	<u>2010</u>
U.S. federal statutory tax rate	34.0%	34.0%
State income tax expense, net of Federal tax benefit	3.0	3.0
Effect of graduated federal tax rates	<u>(8.0)</u>	<u>(7.2)</u>
Consolidated Effective Tax Rate	<u>29.0%</u>	<u>29.8%</u>

Recent Accounting Pronouncements

In April 2010, FASB issued ASU 2010-17, "Revenue Recognition – Milestone Method of Revenue Recognition – a consensus of the Financial Accounting Standards Board ("FASB") Emerging Issues Task Force" (ASU 2010-17). ASU 2010-17 provides new authoritative guidance on the milestone method of revenue recognition. The milestone method applies to research and development arrangements in which one or more payments are contingent upon achieving certain future events or circumstances. ASU 2010-17 defines a milestone and provides criteria for determining whether the milestone method is appropriate. This standard is effective for milestones achieved in fiscal years beginning on or after June 15, 2010, on a prospective basis, with earlier application permitted. The adoption of ASU 2010-17 is not expected to have a material impact on the Company's results of operation and financial condition.

In January 2010, FASB issued ASU 2010-6, "Improving Disclosures about Fair Measurements" (ASU 2010-6). ASU 2010-6 provides amendments to subtopic 820-10 of the FASB Accounting Standards Codification, originally issued as FASB Statement No.157, "Fair Value Measurements", now ASC 820, "Fair Value Measurements and Disclosures" (ASC 820) that require separate disclosure of significant transfers in and out of Level 1 and Level 2 fair value measurements and the presentation of separate information regarding purchases, sales, issuances and settlements for Level 3 fair value measurements. Additionally, ASU 2010-6 provides amendments to Subtopic 820-10 that clarify existing disclosures about the level of disaggregation and inputs and valuation

Biosynergy, Inc.

Notes to Financial Statements

Three and Nine Months Ended January 31, 2011 and 2010

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Note 2 – Summary of Significant Accounting Policies (Continued)

techniques. ASU 2010-6 is effective for financial statements issued for interim and annual periods ending after December 15, 2010. The Company adopted this pronouncement in the third quarter of fiscal 2011. The adoption of ASU 2010-06 did not have a material impact on results of operation and financial condition.

In October 2009, the FASB issued ASC 605-25, "Revenue Recognition" (ASC 605-25). ASC 605-25 modifies the fair value requirements of revenue recognition on multiple element arrangements by allowing the use of the "best estimate of selling price" in addition to vendor specific objective evidence and third-party evidence for determining the selling price of a deliverable. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specified objective evidence, (b) third-party evidence, or (c) estimates. In addition, ASC 605-25 eliminates the residual method of allocation and significantly expands the disclosure requirements for such arrangements. ASC 605-25 is effective for fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company is assessing the impact that ASC 605-25 will have on the Company's financial statements.

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. Except for the ASUs listed above, those 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.

Fair Value of Financial Instruments/Short-Term Investments

The Company evaluates its financial instruments based on current market interest rates relative to stated interest rates, length to maturity and the existence of readily determinable market prices. Short-term investments have been categorized as held-to-maturity and as a result are stated at cost, which approximates fair value. Short-term investments at April 30, 2010 consisted of certificates of deposit which matured within one year. The Company's investments in certificates of deposit are classified as held to maturity. These investments are stated at amortized cost, which approximates fair value.

On April 18, 2009, the Company invested \$100,000 in a certificate of deposit with an annual percentage yield of 2% with a maturity date of April 22, 2010. As of the maturity date, the Company reinvested the funds in a nine-month certificate of deposit at an annual percentage yield of .5% with a maturity date of January 22, 2011. As of the maturity date, the Company moved these funds into a cash account.

The Company had no short term investments as of January 31, 2011.

Biosynergy, Inc.

Notes to Financial Statements

Three and Nine Months Ended January 31, 2011 and 2010

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Note 3 – Inventories

Components of inventories are as follows:

	January 31, <u>2011</u>	April 30, <u>2010</u>
Raw materials	\$50,846	\$ 54,994
Work-in-process	22,479	34,795
Finished goods	<u>9,943</u>	<u>34,877</u>
	<u>\$83,268</u>	<u>\$124,666</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 January 31, 2011:

	<u>Stock of Affiliates</u>		
	Biosynergy, Inc.	F.K. Suzuki International, Inc.	Medlab, Inc.
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F.K. Suzuki International, Inc	30.1%	-	100.0%
Fred K. Suzuki, Officer	4.1	35.6	-
Lauane C. Addis, Officer <sup>(1)</sup>	.1	-	-
Jeanne S. Addis, Trustee	-	32.7	-
James F. Schembri, Director	8.6	-	-
Mary K. Friske, Officer	.3	.6	-
Laurence C. Mead, Officer	.4	4.0	-
Beverly K. Suzuki, Officer	2.7	-	-

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(1) On October 21, 2009, Lauane C. Addis transferred all of his interest in F.K. Suzuki International, Inc. (FKSI) consisting of 31,423 shares of FKSI common stock to Jeanne S. Addis as Trustee of the Addis Family Equity Trust dated September 1, 2009.

Biosynergy, Inc.

Notes to Financial Statements

Three and Nine Months Ended January 31, 2011 and 2010

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Note 5 - Related Party Transactions (continued)

As of January 31, 2010 and April 30, 2010, \$19,699 was due from F.K. Suzuki International, Inc. (FKSI). 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 31.59% of sales during the first nine months of Fiscal 2011 compared to 35.61% during the comparative Fiscal 2010 period. As of January 31, 2011, there were outstanding accounts receivable from this customer of \$72,750 compared to \$58,370 at January 31, 2010. Shipments to another customer amounted to 27.33% of sales during the first nine months of Fiscal 2011 and 23.7% of sales during the first nine months of Fiscal 2010. As of January 31, 2011, there were outstanding accounts receivable from this customer of approximately \$39,250 compared to \$25,205 at January 31, 2010.

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

### Net Sales/Revenues

For the three month period ending January 31, 2011 ("3<sup>rd</sup> Quarter"), the net sales increased 12.6%, or \$33,430, and increased 6.38%, or \$51,819, during the nine month period ending January 31, 2011, as compared to net sales for the comparative periods ending in 2010. This increase in sales is primarily the result of an increase in unit sales of HemoTemp<sup>R</sup> II.

In addition, during the 3<sup>rd</sup> Quarter the Company had \$964 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 3<sup>rd</sup> Quarter increased overall by 2.04%, or \$3,027, as compared to the 3<sup>rd</sup> quarter in 2010 primarily due to an increase in salaries and 401(k) plan contributions. The operating expenses of the Company decreased by 2.9%, or \$14,478, for the nine month period ending January 31, 2011, primarily due to a decrease in health insurance premiums, accounting fees and legal fees.

#### Cost of Sales

The cost of sales during the 3<sup>rd</sup> Quarter increased by \$18,848, and increased by \$34,004 during the nine month period ending January 31, 2011 as compared to these expenses during the same periods ending in 2010. Increases were primarily due to an increase in unit sales and use of inventory. As a percentage of sales, the cost of sales were 31.7% during the 3<sup>rd</sup> Quarter and 28.6% for the comparative quarter ending in 2010, and 30.19% during the nine month period ending January 31, 2011 compared to 27.92% in 2010. 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 \$967, or 4.4%, during the 3<sup>rd</sup> Quarter as compared to the same quarter in 2010. These costs increased by \$3,097, or 4.52%, during the nine month period ending January 31, 2011 as compared to the same period in 2010. The overall increase in research and development is due primarily to an increase in research books and automobile insurance premiums. The Company is continuing its investigation and development of certain compounds for use as bacteria retardant agents for use in food and other products. The Company is uncertain how much of its resources will be required to complete its investigation and development of these products.

#### Marketing Expenses

Marketing expenses for the 3<sup>rd</sup> Quarter increased by \$909, or 2.43%, as compared to the quarter ending January 31, 2010. These costs increased by \$6,665, or 6.25%, during the nine month period ending January 31, 2011 as compared to the same period in 2010. The increase is due to an increase in travel, entertainment and product promotion expenses.

### General and Administrative Expenses

General and administrative costs for the 3<sup>rd</sup> Quarter increased by \$1,151, or 1.3%, as compared to the 3<sup>rd</sup> quarter ending January 31, 2010, primarily due to increased salaries and office supplies. General and administrative costs decreased by \$24,240, or 7.5%, during the nine month period ending January 31, 2011, as compared to the same periods in 2010, primarily due to a decrease in health insurance premiums, legal fees and accounting fees.

### Net Income

The Company realized a net income of \$38,410 during the 3<sup>rd</sup> Quarter as compared to a net income of \$28,573 for the comparative quarter in the prior year. The Company also realized a net income of \$86,020 for the nine month period ending January 31, 2011 as compared to a net income of \$64,535 during the same period in 2010. The increase in net income is a direct result of an increase in sales.

### Assets/Liabilities

#### General

Since April 30, 2010, the Company's assets have increased by \$114,797 and liabilities have increased by \$28,777. The increase in assets, primarily cash and accounts receivable, is a result of the Company's increase in sales and profits.

### Related Party Transactions

The Company was owed \$19,699 by F.K. Suzuki International, Inc. ("FKSI"), an affiliate, at January 31, 2011 and April 30, 2010. This account primarily represents common expenses which were previously charged by the Company to FKSI for reimbursement. These expenses include certain office expenses, general operating expenses and legal fees incurred in the ordinary course of business. See "Financial Statements." No interest is received or accrued by the Company. Collectibility 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, 11.62 to 1, has decreased compared to 16.44 to 1 at April 30, 2010. This decrease in ratio of current asset to current liabilities is a result of increased accounts payable. 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, 2011, the Company experienced an increase in working capital of \$60,897. This is primarily due to the Company's increase in cash.

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.

The Company presently grants payment terms to customers and dealers of 30 days. 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 \$169,711 during the nine month period ending January 31, 2011. An aggregate of \$38,023 was used for equipment purchases and patent application expenditures and \$100,000 was provided by the redemption of a short-term investment 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 period ending January 31, 2011 or 2010.

As of January 31, 2011, the Company had \$924,295 of current assets available. Of this amount, \$25,912 was prepaid expenses, \$83,268 was inventory, \$156,858 was net trade receivables and \$658,257 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 operating capital needs of the Company if the Company does not remain profitable.

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. The Company's accounting policies are disclosed in Note 1 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.

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 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. 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 January 31, 2011 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 January 31, 2011, 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 January 31, 2011, 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 January 31, 2011, 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. (Removed and Reserved).

### 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, 2011, there have been no material changes to the procedures by which the security holders may recommend nominees to the Company's board of directors, where such changes were implemented after the Company last provided disclosure in response to the requirements of Regulation S-K.

### Item 6. Exhibits.

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

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

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

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

(10) Material Contracts – none.

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

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

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

(19) Reports furnished to security holders - none.

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

(23) Consents of experts and counsel - none.

(24) Power of Attorney - none.

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

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

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

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

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

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

Biosynergy, Inc.

Date March 17, 2011

/s/ Fred K. Suzuki

Fred K. Suzuki

Chief Executive Officer, Chairman of the Board, and  
President

Date March 17, 2011

/s/ Laurence C. Mead

Laurence C. Mead

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

## EXHIBIT 31.1

### CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Fred K. Suzuki, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Biosynergy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 17, 2011

/s/ Fred K. Suzuki

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

## EXHIBIT 31.2

### CERTIFICATION OF CHIEF ACCOUNTING OFFICER

I, Laurence C. Mead, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Biosynergy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely

affect the registrant's ability to record, process, summarize and report financial information; and

- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 17, 2011

/s/ Laurence C. Mead

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

EXHIBIT 32.1

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

In connection with the Report of Biosynergy, Inc. (the "Company") on Form 10-Q for the quarter ending January 31, 2011, 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, 2011, and for the period then ended.

Biosynergy, Inc.

/s/ Fred K. Suzuki

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

Dated: March 17, 2011

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, 2011, 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, 2011, and for the period then ended.

Biosynergy, Inc.

/s/ Laurence C. Mead

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

Dated: March 17, 2011