

Edgar Filing: HYDROMER INC - Form 10-Q

HYDROMER INC  
Form 10-Q  
May 17, 2010

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON D.C. 20549

FORM 10-Q

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

For the quarter ended March 31, 2010

Commission File Number 0-10683

HYDROMER, INC.  
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(Exact name of registrant as specified in its charter)

----- New Jersey ----- (State of incorporation)	22-2303576 ----- (I.R.S. Employer Identification No.)
35 Industrial Pkwy, Branchburg, New Jersey ----- (Address of principal executive offices)	08876-3424 ----- (Zip Code)
Registrant's telephone number, including area code:	(908) 722-5000 -----

Securities registered pursuant to Section 12 (b) of the Act: None

Securities registered pursuant to Section 12 (g) of the Act:

Common Stock Without Par Value  
-----  
(Title of class)

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 report(s), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] 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.  
Large accelerated filer [ ] Accelerated filer [ ]  
Non-accelerated filer [ ] Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

Class -----	Outstanding at March 31, 2010 -----
Common	4,772,318

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include, among other things, business strategy and expectations concerning industry conditions, market position, future operations, margins, profitability, liquidity and capital resources. Forward-looking statements generally can be identified by the use of terminology such as "may," "will," "expect," "intend," "estimate," "anticipate" or "believe" or similar expressions or the negatives thereof. These expectations are based on management's assumptions and current beliefs based on currently available information. Although the Company believes that the expectations reflected in such statements are reasonable, it can give no assurance that such expectations will be correct. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this quarterly report on Form 10-Q and the Company does not have any obligation to update the forward looking statements. The Company's operations are subject to a number of uncertainties, risks and other influences, many of which are outside its control, and any one of which, or a combination of which, could cause its actual results of operations to differ materially from the forward-looking statements.

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HYDROMER, INC.

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March 31, 2010

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Part II - Other Information

# 1 Legal Proceedings N/A

# 2 Change in Securities N/A

# 3 Default of Senior Securities N/A

# 4 Submission of Motion to Vote of Security Holders N/A

# 5 Other Information N/A

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EXHIBIT INDEX

Exhibit No.	Description of Exhibit	
-----	-----	
31.1	SEC Section 302 Certification - CEO certification	13
31.2	SEC Section 302 Certification - CFO certification	14
32.1	Certification of Manfred F. Dyck, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350	15
32.2	Certification of Robert Y. Lee, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350	15

PART I - CONSOLIDATED FINANCIAL STATEMENTS  
ITEM # 1

HYDROMER, INC. AND CONSOLIDATED SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS

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March 31,  
2010  
UNAUDITED

ASSETS

Current Assets:

Cash and cash equivalents	\$	1,186,790	\$
Short-term investments		440,000	
Trade receivables less allowance for doubtful accounts of \$40,120 and \$57,741 as of March 31, 2010 and June 30, 2009, respectively		871,724	
Inventory		244,059	
Prepaid expenses		194,667	
Deferred tax asset		8,976	
Other		27,011	
-----			
Total Current Assets		2,973,227	
-----			

Property and equipment, net	2,978,863
Deferred tax asset, non-current	1,001,512
Intangible assets, net	841,913
-----	

Total Assets	\$	7,795,515	\$
-----			

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts payable	\$	439,102	\$
Accrued expenses		349,942	
Current portion of capital lease		15,603	
Current portion of deferred revenue		71,331	
Current portion of mortgage payable		47,976	
Income tax payable		1,040	
-----			
Total Current Liabilities		924,994	
-----			

Deferred tax liability	343,967
Long-term portion of capital lease	38,867
Long-term portion of deferred revenue	188,934
Long-term portion of mortgage payable	2,781,757
-----	

Total Liabilities	4,278,519
-----	

Stockholders' Equity

Preferred stock - no par value, authorized 1,000,000 shares, no shares issued and outstanding	-
Common stock - no par value, authorized 15,000,000 shares; 4,783,235 shares issued and 4,772,318 shares outstanding as of March 31, 2010 and June 30, 2009	3,721,815
Contributed capital	633,150
Accumulated deficit	(831,829)
Treasury stock, 10,917 common shares at cost	(6,140)
-----	

Total Stockholders' Equity	3,516,996
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Total Liabilities and Stockholders' Equity	\$	7,795,515	\$
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See accompanying notes

HYDROMER, INC. AND CONSOLIDATED SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,		
	2010 UNAUDITED	2009 UNAUDITED	
<hr/>			
REVENUES			
Sale of products	\$ 845,734	\$ 1,012,814	\$ 2
Service revenues	402,766	635,947	1
Royalties and Contract Revenues	226,668	183,946	
	<hr/>	<hr/>	
TOTAL REVENUES	1,475,168	1,832,707	4
<hr/>			
EXPENSES			
Cost of Sales	526,601	851,318	1
Operating Expenses	1,316,952	1,295,123	3
Other Expenses	56,973	151,811	
Gain from Sale of Assets	-	(1,293,348)	
(Benefit from) Provision for Income Taxes	(218,942)	308,000	
	<hr/>	<hr/>	
TOTAL EXPENSES	1,681,584	1,312,904	5
<hr/>			
NET (LOSS) INCOME	\$ (206,416)	\$ 519,803	\$
<hr/>			
(Loss) Earnings Per Common Share	\$ (0.04)	\$ 0.11	\$
<hr/>			
Weighted Average Number of			
Common Shares Outstanding	4,772,318	4,772,318	4
Common Shares Outstanding assuming dilution		4,773,655	

See accompanying notes.

There was no impact to earnings per share from dilutive securities. For the 2010 period, the resultant would have been anti-dilutive.

HYDROMER, INC. AND CONSOLIDATED SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months March 2010 UNAUDITED	
-----		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (Loss) Income	\$ (555,941)	\$
Adjustments to reconcile net (loss) income to net cash		
(used for) provided by operating activities		
Gain on Sale of Product Lines	(335,629)	
Depreciation and amortization	318,126	
Charge-off of Patent Costs	-	
Reserve for Inventories	-	
Valuation Allowance on Fixed Assets/Loss on Disposal of Fixed Assets	-	
Deferred income taxes	(421,417)	
Changes in Assets and Liabilities:		
Trade receivables	187,254	
Inventory	75,296	
Prepaid expenses	9,611	
Other assets	(18,402)	
Accounts payable and accrued liabilities	67,118	
Deferred income	17,114	
Income taxes payable	(89,212)	
-----		
Net Cash (Used for) Provided by Operating Activities	(746,082)	
-----		

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CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash purchases of property and equipment	(175,486)
Cash payments on patents and trademarks	(251,389)
Redemption of matured short-term investments	700,000
Cash purchases of short-term investments	(690,000)
Proceeds Received from the sale of Product Lines	800,000
<hr style="border-top: 1px dashed black;"/>	
Net Cash Provided by Investing Activities	383,125
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CASH FLOWS FROM FINANCING ACTIVITIES:	
Net repayments toward Line of Credit	-
Proceeds from long-term borrowings	-
Repayment of long-term borrowings	(36,018)
<hr style="border-top: 1px dashed black;"/>	
Net Cash (Used for) Provided by Financing Activities	(36,018)
<hr style="border-top: 1px dashed black;"/>	
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS:	
Cash and Cash Equivalents at Beginning of Period	(398,975) 1,585,765
<hr style="border-top: 1px dashed black;"/>	
Cash and Cash Equivalents at End of Period	\$ 1,186,790 \$
<hr style="border-top: 1px dashed black;"/>	

See accompanying notes.

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HYDROMER, INC. AND CONSOLIDATED SUBSIDIARY

Notes to Consolidated Financial Statements

In the opinion of management, the accompanying unaudited financial statements include all adjustments (consisting of only normal adjustments) necessary for a fair presentation of the results for the interim periods. Certain reclassifications have been made to the previous year's results to present comparable financial statements.

#### Significant Events:

On November 25, 2009, the Company's wholly owned subsidiary, Biosearch Medical Products, Inc. ("BMPI") sold its Private Label Jejunostomy Catheter and Nasogastric Feeding Catheter business to Forefront Medical Technologies ("Forefront"), a wholly owned subsidiary of Vicplas International Limited - a company registered in the Republic of Singapore, for \$800,000 in cash, half received upon closing in November 2009 with the balance received in March 2010.



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This sale included inventory and equipment related to that business and also calls for the assignment of certain customer supply agreements to Forefront and a three year non-compete provision. A separate supply agreement for Hydromer(R) hydrophilic coating solution used on those products was also entered between the parties. BMPI continued manufacturing the products, at an agreed upon transfer price, until Forefront completed the transition in April 2010. Accordingly, this transaction does not meet the criteria of Discontinued Operations of Financial Accounting Standards Board ("FASB") Accounting Standards Codification paragraphs 205-20. These product lines sold were part of the "Medical Products" segment (see following Segment Reporting section).

### Recent Accounting Pronouncements

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In February 2010, the FASB issued Update No. 2010-08 "Technical Corrections to Various Topics" (ASU 2010-08). ASU 2010-08 represents technical corrections to Securities and Exchange Commission (the "SEC") paragraphs within various sections of the Codification. Management is currently evaluating whether these changes will have any material impact on its financial position, results of operations or cash flows.

In February 2010, the FASB issued Update No. 2010-09 "Subsequent Events (Topic 855)" (ASU 2010-09). ASU 2010-09 clarifies the interaction of Accounting Standards Codification 855 "Subsequent Events" ("Topic 855") with guidance issued by the SEC as well as the intended breadth of the reissuance disclosure provision related to subsequent events found in paragraph 855-10-50-4 in Topic 855. This update is effective for annual or interim periods ending after June 15, 2010. Management is currently evaluating whether these changes will have any material impact on its financial position, results of operations or cash flows.

In April 2010, the FASB issued ASU 2010-17, "Revenue Recognition - Milestone Method (Topic 605)" (ASU 2010-17). ASU 2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research and development transactions. The Update provides guidance on the criteria that should be met for determining whether the milestone method of revenue recognition is appropriate. This update is effective for annual or interim periods ending after June 15, 2010. Management is currently evaluating whether these changes will have any material impact on its financial position, results of operations or cash flows.

### FAIR VALUE

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In accordance with FASB ASC 820, "Fair Value Measurements and Disclosures", the following table represents the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2010:

-----	-----	-----	-----	-----
Level 1	Level 2	Level 3	Total	

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ASSETS				
Investments	\$	440,000		\$ 440,000
Total Assets	\$	440,000	-	\$ 440,000
LIABILITIES - n/a		-	-	-

Some of the Company's financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature, such as cash and cash equivalents, receivables and payables. The carrying amount of the Company's note obligation approximates its fair value, as the terms of the note is consistent with terms available in the market for instruments with similar risk.

Segment Reporting:

The Company operates two primary business segments. The Company evaluates the segments by revenues, total expenses and earnings before taxes. Corporate Overhead is excluded from the business segments as to not distort the contribution of each segment. These segments are the lowest levels for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

The results for the nine months ended March 31, by segment are:

	Polymer Research	Medical Products	Corporate Overhead
Excludes the sale of product lines			
2010			
Revenues	\$ 2,936,347	\$ 1,664,506	
Expenses	(3,000,632)	(1,746,469)	\$ (1,190,373)
Pre-tax Loss	\$ (64,285)	\$ (81,963)	\$ (1,190,373)
-----	-----	-----	-----
2009			
Revenues	\$ 3,404,319	\$ 2,614,058	
Expenses	(2,602,007)	(2,485,763)	\$ (1,289,153)
Pre-tax Income (Loss)	\$ 802,312	\$ 128,295	\$ (1,289,153)
=====	=====	=====	=====

Geographic revenues were as follows for the nine months ended March 31,

	2010	2009
	----	----
Domestic	72%	83%
Foreign	28%	17%

ITEM #2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The Company's revenues for the quarter ended March 31, 2010 were \$1,475,168, 19.5% lower than the \$1,832,707 for the same period the previous year. For the nine month period ended March 31, 2010, revenues were \$4,600,853 as compared with \$6,018,377 the corresponding period a year ago; \$1,417,524 or 23.6% lower. Revenues are comprised of the sale of Products and Services and Royalty and Contract payments.

Product sales were \$845,734 for the quarter ended March 31, 2010 as compared to \$1,012,814 for the same period the year before, a \$167,080 (16.5%) decrease; lower due to the impact from the sales of product lines to Merit Medical Systems, Inc. ("Merit") in February 2009 and to Forefront Medical Technologies ("Forefront") in November 2009. For the nine month period, product sales were \$2,856,840 for the current fiscal year period as compared with \$3,366,415 or \$509,575 (15.1%) lower than the same period the year before.

Services revenues for the three months ended March 31, 2010 was \$402,766 or \$233,181 lower (36.7%) than the \$635,947 the corresponding period the year before. Services revenues for the nine months ended March 31, 2010 were \$1,062,049 or \$585,974 (35.6%) lower than the \$1,648,023 the year before. Included in the prior year's revenues was \$192,000 in R&D services in which the project was completed during that prior fiscal year. In addition the conversion of a customer from contract coatings servicing to product sales accounted for \$419,165 of lower services revenues during the current nine month period.

Royalty and Contract revenues include royalties received and the periodic recurring payments from license, stand still and other agreements for other than product and services. Included in Royalty and Contract revenues are revenues from support and supply agreements. Some of the royalties and support fees are based on the net sales of the final item (to which the Hydromer technology is applied to) and are subject to the reporting of our customers. For the quarter ended March 31, 2010, Royalty and Contract revenues were \$226,668, compared to \$183,946 the same period a year ago. For the nine month period, Royalty and Contract revenues were \$681,964 compared to \$1,003,939 for the 2010 and 2009 periods, respectively. The cancellation of a supply and support agreement of \$100,000 per month effective January 1, 2009, replaced by a similar

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agreement at \$35,000 per month, was the primary factor behind the difference.

As of March 31, 2010, our open sales order book was approximately \$412,000. Although some of the sales orders can be cancelled prior to production, the Company is of the opinion that no substantial cancellations will occur. This value is lower than previous reported periods due to the sale of product lines to Merit and Forefront and the conclusion of the production transfer period. In addition, a majority of the Company's sales orders calls for immediate delivery (subject to the Company's lead time) and thus distorts the periodically reported sales orders that the Company turns over.

Total Expenses for the quarter ended March 31, 2010 were \$1,681,584 as compared with \$1,312,904 the year before, a 28.1% increase. For the nine months ended March 31, 2010, total expenses were \$5,156,794 as compared with \$5,419,575 the same period the year before, lower by 4.8%. Reducing expenses was the gain from the sale of product lines of \$335,629 for fiscal period 2010 and \$1,293,348 for fiscal period 2009

For the quarter ended March 31, 2010, the Company's Cost of Goods Sold was \$526,601 as compared with \$851,318 the year prior, lower by 38.1%. On a year-to-date basis, Cost of Goods Sold for fiscal 2009 (nine months ended March 31, 2010) was \$1,994,058 as compared with \$2,497,874 in fiscal 2009, or \$503,816 (20.2% lower). Lower product sales, including that from the sale of product lines to Merit and Forefront which concluded the Company's related operations for those product lines in October 2009 and April 2010 respectively, resulted in a lower Cost of Goods Sold.

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Operating expenses were \$1,316,952 for the quarter ended March 31, 2010 as compared with \$1,295,123 the year before, up \$21,829 or 1.7%. For the nine months ended March 31, 2010, Operating Expenses were \$3,804,805, up \$165,134 or 4.5% from the \$3,639,671 for the same period the year before. The increased international focus in our T-HEXX Animal Health business, including a dedicated product manager, added tradeshow promotions, related travel and marketing expenses resulted in higher costs of \$139,639 in the current nine month period partially offset by patents write offs of \$63,242 during the corresponding period. In addition, one time legal fees of \$47,840 relating to the freedom to market clearance review was incurred during the nine month period. Such legal fees allows for a new Hydrogel product launch with legal clearance. In addition, this year to date includes \$34,206 spent on animal clinical studies on our recently launched Dragonhyde™ Hoof Bath Concentrate. All of the incremental spends this period are directly in relation towards future revenue sources.

Interest expense, interest income and other income are included in Other Expenses. Interest expense for the nine months ended March 31, 2010 and March 31, 2009 were \$152,817 and \$150,383, respectively.

A net loss of \$206,416 (\$0.04 per share) is reported for the quarter ended March 31, 2010 as compared to net income of \$519,803 (\$0.11 per share) the year before. For the nine months ended March 31, 2010, a net loss of \$555,941 (\$0.12 per share) compared against net income of \$598,802 (\$0.13 per share) for the same period year before.

The cancellation and subsequent entering of a lower valued supply and

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support agreement impacted operating income by \$390,000 as compared with the prior year. The sale of product lines to Merit and Forefront had an approximate \$192,000 impact to the revenue change between the years and the subsequent transfer price agreement further impacted operating income by another \$347,000. An income tax benefit of \$445,051 was recorded for the nine month period.

Re-investment expenditures of Research and Development and patents and trademarks expenditures accounted for approximately \$808,873 or 21.2% of the operating expenses.

### Financial Condition

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Working capital decreased \$944,465 during the nine months ended March 31, 2010.

Net operating activities used \$746,082 during the nine month period ended March 31, 2010.

The net loss, as adjusted for non-cash expenses and less the gain from the sale of product lines, used \$994,861 in cash. The net change in other operating assets and liabilities provided for \$248,779 in cash. Income taxes paid during the year were \$134,851.

Investing activities provided \$383,125 and financing activities used \$36,018 during the nine months ended March 31, 2010.

Investing activities for the nine months ended March 31, 2010 included \$175,486 for capital expenditures and \$251,389 towards the Company's patent estate. \$700,000 in short-term investments matured of which \$690,000 was reinvested/renewed. Cash of \$800,000 was received from the sale of product lines. Under financing activities, the principal portion of debt servicing of the mortgage utilized \$36,018 in cash.

Until replacement income is achieved, the cancellation of the \$100,000 per month Supply and Support Agreement and the sale of product lines to Merit and Forefront, with the sales proceeds representing the future cash flows, pushes the Company into an operating loss position for the near future. The timing of new revenues, including that from its anti-microbial, anti-thrombogenic and cell mitosis technologies and new T-HEXX product lines and broaden T-HEXX market penetration, are in varying stages. The Company has a strong balance sheet to meet its required debt servicing.

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### ITEM # 3

#### Disclosure Controls and Procedures

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As of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and President and the Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures.

Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, our disclosure controls and procedures were effective

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and that there were no changes to our Company's internal control over financial reporting that have materially affected, or is reasonably likely to materially affect the Company's internal control over financial reporting during the period covered by the Company's quarterly report.

### PART II - OTHER INFORMATION

The Company operates entirely from its sole location at 35 Industrial Parkway in Branchburg, New Jersey, an owned facility secured by a mortgage through a bank.

The existing facility will be adequate for the Company's operations for the foreseeable future.

#### ITEM # 6. Exhibits

Exhibit No. -----	Description -----
31.1	Rule 13a-14(a) Certification of Chief Executive Officer and President
31.2	Rule 13a-14(a) Certification of Vice President of Finance and Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer and Chairman, President
32.2	Section 1350 Certification of Chief Financial Officer and Vice President of Finance

SIGNATURES

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

HYDROMER, INC.

/s/Robert Y. Lee,VP

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Robert Y. Lee  
Principal Accounting Officer & Chief  
Financial Officer

DATE: May 17, 2010

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EXHIBIT 31.1

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I, Manfred F. Dyck, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hydromer, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer, Mr. Robert Y. Lee and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurances 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



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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 case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer, Mr. Robert Y. Lee and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer, Mr. Robert Y. Lee and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 17, 2010

/s/Manfred F. Dyck

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Manfred F. Dyck, President and CEO

### EXHIBIT 31.2

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I, Robert Y. Lee, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hydromer, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer, Mr. Manfred F. Dyck and I am 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:

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- a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurances 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 case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer, Mr. Manfred F. Dyck and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer, Mr. Manfred F. Dyck and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 17, 2010

/s/Robert Y. Lee,VP

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Robert Y. Lee, Vice President of Finance and CFO

EXHIBIT 32.1

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CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO

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SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Manfred F. Dyck, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Hydromer, Inc. on Form 10-Q for the nine months ended March 31, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such report fairly presents in all material respects the financial condition and results of operations of Hydromer, Inc.

Date: May 17, 2010

By: /s/Manfred F. Dyck

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Manfred F. Dyck  
Chairman, President and  
Chief Executive Officer

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EXHIBIT 32.2  
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CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert Y. Lee, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Hydromer, Inc. on Form 10-Q for the nine months ended March 31, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such report fairly presents in all material respects the financial condition and results of operations of Hydromer, Inc.

Date: May 17, 2010

By: /s/Robert Y. Lee,VP

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Robert Y. Lee  
Chief Financial Officer and Vice  
President of Finance