

Edgar Filing: HYDROMER INC - Form 10-Q

HYDROMER INC
Form 10-Q
February 16, 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 December 31, 2009

Commission File Number 0-10683

HYDROMER, INC.

(Exact name of registrant as specified in its charter)

New Jersey

22-2303576

(State of incorporation)

(I.R.S. Employer
Identification No.)

35 Industrial Pkwy, Branchburg, New Jersey

08876-3424

(Address of principal executive offices)

(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 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

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

Class

Outstanding at December 31, 2009

Common

4,772,318

Edgar Filing: HYDROMER INC - Form 10-Q

HYDROMER, INC.

INDEX TO FORM 10-Q
December 31, 2009

	Page No.
Part I - Financial Information	
# 1 Consolidated Financial Statements	
Balance Sheets - December 31, 2009 & June 30, 2009	2
Statements of Operations for the three months and six months ended December 31, 2009 and 2008	3
Statements of Cash Flows for the six months ended December 31, 2009 and 2008	4
Notes to Financial Statements	5
# 2 Management's Discussion and Analysis of the Financial Condition and Results of Operations	6
# 3 Controls and Procedures	8
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
# 6 Exhibits	9

Edgar Filing: HYDROMER INC - Form 10-Q

EXHIBIT INDEX

Exhibit No.	Description of Exhibit	
31.1	SEC Section 302 Certification - CEO certification	11
31.2	SEC Section 302 Certification - CFO certification	12
32.1	Certification of Manfred F. Dyck, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350	13
32.2	Certification of Robert Y. Lee, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350	13

1

PART I - CONSOLIDATED FINANCIAL STATEMENTS
ITEM # 1

HYDROMER, INC. AND CONSOLIDATED SUBSIDIARY CONSOLIDATED BALANCE SHEETS

	December 31, 2009	
	UNAUDITED	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,274,903	\$
Short-term investments	440,000	
Trade receivables less allowance for doubtful accounts of \$40,120 and \$57,741 as of December 31, 2009 and June 30, 2009, respectively	708,896	
Inventory	257,744	
Prepaid expenses	149,736	
Deferred tax asset	8,976	
Other	405,953	

Edgar Filing: HYDROMER INC - Form 10-Q

Total Current Assets		3,246,208	
Property and equipment, net		2,988,912	
Deferred tax asset, non-current		748,095	
Intangible assets, net		788,991	
Total Assets	\$	7,772,206	\$
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable	\$	384,395	\$
Accrued expenses		221,331	
Current portion of capital lease		15,402	
Current portion of deferred revenue		80,758	
Current portion of mortgage payable		47,176	
Income tax payable		2,080	
Total Current Liabilities		751,142	
Deferred tax liability		284,503	
Long-term portion of capital lease		42,952	
Long-term portion of deferred revenue		174,904	
Long-term portion of mortgage payable		2,795,293	
Total Liabilities		4,048,794	
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 December 31, 2009 and June 30, 2009		3,721,815	
Contributed capital		633,150	
Accumulated deficit		(625,413)	
Treasury stock, 10,917 common shares at cost		(6,140)	
Total Stockholders' Equity		3,723,412	
Total Liabilities and Stockholders' Equity	\$	7,772,206	\$

Edgar Filing: HYDROMER INC - Form 10-Q

	December 31,		
	2009	2008	
	UNAUDITED	UNAUDITED	
<hr/>			
REVENUES			
Sale of products	\$ 829,402	\$ 1,235,533	\$ 2,149,701
Service revenues	359,491	497,750	
Royalties and Contract Revenues	227,221	416,418	
	<hr/>		
TOTAL REVENUES	1,416,114	2,149,701	3,116,819
<hr/>			
EXPENSES			
Cost of Sales	627,263	854,238	1,481,501
Operating Expenses	1,221,493	1,191,534	2,413,035
Other Expenses	30,024	46,916	
Gain from Sale of Assets	(335,629)	-	(335,629)
(Benefit from) Provision for Income Taxes	(49,900)	20,320	(29,580)
	<hr/>		
TOTAL EXPENSES	1,493,251	2,113,008	3,606,435
<hr/>			
NET (LOSS) INCOME	\$ (77,137)	\$ 36,693	\$ (489,616)
<hr/>			
(Loss) Earnings Per Common Share	\$ (0.02)	\$ 0.01	\$ (0.15)
<hr/>			
Weighted Average Number of			
Common Shares Outstanding	4,772,318	4,772,318	4,772,318
Common Shares Outstanding assuming dilution		4,773,655	

There was no impact to earnings per share from dilutive securities.
For the 2009 period, the resultant would have been anti-dilutive.

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

	Six months December 2009 UNAUDITED		
<hr style="border-top: 1px dashed black;"/>			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (Loss) Income	\$	(349,525)	\$
Adjustments to reconcile net (loss) income to net cash			
Provided by (Used for) operating activities			
Gain on Sale of Product Lines		(335,629)	
Depreciation and amortization		220,542	
Charge-off of Patent Costs		-	
Deferred income taxes		(227,464)	
Changes in Assets and Liabilities:			
Trade receivables		350,082	
Inventory		61,612	
Prepaid expenses		54,544	
Other assets		(11,706)	
Accounts payable and accrued liabilities		(116,200)	
Deferred income		12,511	
Income taxes payable		(73,811)	
<hr style="border-top: 1px dashed black;"/>			
Net Cash (Used for) Provided by Operating Activities		(415,044)	
<hr style="border-top: 1px dashed black;"/>			
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash purchases of property and equipment		(126,436)	
Cash payments on patents and trademarks		(156,100)	
Redemption of matured short-term investments		260,000	
Cash purchases of short-term investments		(250,000)	
Proceeds Received from the sale of Product Lines		400,000	
<hr style="border-top: 1px dashed black;"/>			
Net Cash Provided by (Used for) Investing Activities		127,464	
<hr style="border-top: 1px dashed black;"/>			
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net repayments toward Line of Credit		-	
Proceeds from long-term borrowings		-	
Repayment of long-term borrowings		(23,282)	
<hr style="border-top: 1px dashed black;"/>			
Net Cash (Used for) Provided by Financing Activities		(23,282)	

Edgar Filing: HYDROMER INC - Form 10-Q

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS:	(310,862)
Cash and Cash Equivalents at Beginning of Period	1,585,765

Cash and Cash Equivalents at End of Period	\$ 1,274,903 \$

Non-Cash Investing and Financing Activities:	
Note Receivable in exchange for Sale of Product Lines	\$ 400,000

4

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 Jejunoscopy 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 of the sales proceeds was received upon closing with the balance due in early 2010 when the transition is complete. 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 will continue manufacturing the products, at an agreed upon transfer price, until Forefront completes the transition which is expected to occur on or about February 28, 2010 in accordance with the sales agreement. Accordingly, this transaction does not meet the criteria of Discontinued Operations of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") paragraphs 205-20. These product lines sold were part of the "Medical Products" segment (see following Segment Reporting section).

New Accounting Pronouncements

In October 2009, the FASB issued ASU 2009-13, Multiple-Deliverable Revenue Arrangements, (amendments to FASB ASC Topic 605, Revenue Recognition)

Edgar Filing: HYDROMER INC - Form 10-Q

("ASU 2009-13"). ASU 2009-13 requires entities to allocate revenue in an arrangement using estimated selling prices of the delivered goods and services based on a selling price hierarchy. The amendments eliminate the residual method of revenue allocation and require revenue to be allocated using the relative selling price method. ASU 2009-13 is effective on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. ASU 2009-13 will become effective for the Company with its fiscal year beginning July 1, 2010 and the Company believes that there will not be a material impact on its results of operations or financial condition as a result of adoption of this Update.

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures, (amendments to FASB ASC Topic 820, Fair Value Measurements and Disclosures) ("ASU 2010-06"). ASU 2010-06 requires entities to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements along with the reasons for such transfers. Entities should also present separate information about purchases, sales, issuances and settlement activity in Level 3 fair value measurements. The Update requires entities to provide fair value measurement disclosures for each class of assets and liabilities and disclosures about inputs and valuation techniques. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009 except for the disclosures pertaining to Level 3 fair value measurements. Those disclosures are effective for interim and fiscal years beginning after December 15, 2010. This Update will become effective for the Company with its interim period beginning January 1, 2010 and the Company believes that there will not be a material impact on its results of operations or financial condition as a result of adoption of this Update.

FAIR VALUE

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 December 31, 2009:

5

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

Edgar Filing: HYDROMER INC - Form 10-Q

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 six months ended December 31, by segment are:

	Polymer Research	Medical Products	Corporate Overhead

2009 (excludes the Sale of Product Lines)			
Revenues	\$ 1,884,565	\$ 1,241,120	
Expenses	(1,925,793)	(1,315,354)	\$ (795,801)
	-----	-----	-----
Pre-tax Loss	\$ (41,228)	\$ (74,234)	\$ (795,801)
	=====	=====	=====

2008			
Revenues	\$ 2,419,215	\$ 1,766,455	
Expenses	(1,748,483)	(1,542,106)	\$ (788,080)
	-----	-----	-----
Pre-tax Income (Loss)	\$ 670,732	\$ 224,349	\$ (788,080)
	=====	=====	=====

Geographic revenues were as follows for the six months ended December 31,

	2009	2008
	----	----
Domestic	73%	83%
Foreign	27%	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 December 31, 2009 were \$1,416,114, 34.1% lower than the \$2,149,701 for the same period the previous year. For the six month period ended December 31, 2009, revenues were \$3,125,685 as compared with \$4,185,670 the corresponding period a year ago; \$1,059,985 or 25.3% lower. Revenues are comprised of the sale of Products and Services and Royalty and Contract payments.

Product sales were \$829,402 for the quarter ended December 31, 2009 as compared to \$1,235,533 for the same period the year before, a \$406,131

Edgar Filing: HYDROMER INC - Form 10-Q

(32.9%) decrease; lower due to impact to sales from product lines being sold to Merit Medical Systems, Inc. ("Merit") in February 2009. (We continued to manufacture for Merit under a transfer agreement at a lower price until October 2009 at which point Merit was able to manufacture the products themselves). For the six month period, product sales were \$2,011,106 for the current fiscal year as compared with \$2,353,601 or \$342,945 (14.6%) lower than the same period the year before.

Services revenues for the three months ended December 31, 2009 was \$359,491 or \$138,259 lower (27.8%) than the \$497,750 the corresponding period the year before. Services revenues for the six months ended December 31, 2009 was \$659,283 or \$352,793 (34.9%) lower than the \$1,012,076 the year before. Included in the prior year's revenues was \$145,000 in R&D services in which the project was completed in the prior fiscal year. The conversion of a customer from contract coatings servicing to product sales accounted for \$303,385 of lower services revenues during the six 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 December 31, 2009, Royalty and Contract revenues were \$227,221, compared to \$416,418 the same period a year ago. For the six month period, Royalty and Contract revenues were \$455,296, compared to \$819,993 for the 2009 and 2008 periods, respectively. The cancellation of a supply and support agreement of \$100,000 per month effective January 1, 2009, replaced by a similar agreement at \$35,000 per month, was the primary factor behind the difference.

As of December 31, 2009, our open sales order book was approximately \$817,000. 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 the conclusion of the production transfer period.

Total Expenses for the quarter ended December 31, 2009 were \$1,493,251 as compared with \$2,113,008 the year before, a 29.3% decrease. For the six months ended December 31, 2008, Total Expenses were \$3,475,210 as compared with \$4,106,671 the same period the year before, lower by 15.4%. Reducing this year's expenses was the gain from the sale of product lines of \$335,629.

For the quarter ended December 31, 2009, the Company's Cost of Goods Sold was \$627,263 as compared with \$854,238 the year prior, lower by 26.6%. On a year-to-date basis, Cost of Goods Sold for fiscal 2009 (six months ended December 31, 2009) was \$1,467,457 as compared with \$1,646,556 in fiscal 2008, or \$179,099 (10.9% lower). Lower product sales, including that from the sale of product lines to Merit in February 2009, resulted in a lower Cost of Goods Sold.

Operating expenses were \$1,221,493 for the quarter ended December 31, 2009 as compared with \$1,191,534 the year before, up \$29,959 or 2.5%. For the six months ended December 31, 2009, Operating Expenses were \$2,487,853 as up \$143,305 or 6.1% from the \$2,344,548 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 and marketing expenses resulted in \$84,432 in higher costs in the current period. One time legal fees of \$43,367 relating to the freedom to market clearance review was incurred during the six month period. Such

Edgar Filing: HYDROMER INC - Form 10-Q

legal fees allows for a new Hydrogel product launch with legal clearance. In addition, this year to date includes \$22,804 was spent on animal clinical studies on our soon to be launched Dragonhyde™ Hoof Bath concentrate. There has been highly favorable interest of our non-heavy metal/non-formalin hoof bath product which we expect market launch in early 2010. 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 six months ended December 31, 2009 and December 31, 2008 were \$103,595 and \$100,005, respectively.

7

A net loss of \$77,137 (\$0.02 per share) is reported for the quarter ended December 31, 2009 as compared to net income of \$36,693 (\$0.01 per share) the year before. For the six months ended December 31, 2009, a net loss of \$349,525 (\$0.07 per share) compares against net income of \$78,999 (\$0.02 per share) for the same period year before, a swing of \$428,524.

The cancellation and subsequent entering of a lower valued supply and support agreement impacted operating income by \$390,000 as compared with the prior year. The transfer price agreement with Merit impacted operating income by another \$262,316. An income tax benefit of \$176,209 was recorded for the six month period.

Re-investment expenditures of Research and Development and patents expenditures accounted for approximately \$436,870 or 20.8% of the operating expenses.

Financial Condition

Working capital decreased \$497,631 during the six months ended December 31, 2009.

Net operating activities used \$415,044 during the six month period ended December 31, 2009.

The net loss, as adjusted for non-cash expenses and less the gain from the sale of product lines, used \$692,076 in cash. Trade receivables collections provided for \$350,082 in cash. Income taxes paid during the quarter was \$73,811.

Investing activities provided \$127,464 and financing activities used \$23,282 during the six months ended December 31, 2009.

Investing activities for the six months ended December 31, 2009 included \$126,436 for capital expenditures and \$156,100 towards the Company's patent estate. \$260,000 in short-term investments matured with \$250,000 being reinvested. \$400,000 in cash was received, with another \$400,000 due in early 2010 from the sale of product lines. Under financing activities, the principal portion of debt servicing of the mortgage utilized \$23,282 in cash.

As previously reported, 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, 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, though it is

Edgar Filing: HYDROMER INC - Form 10-Q

management's expectations that anything of significance, in the aggregate, are at least a year away. The T-HEXX Dragonhyde Hoof Care product has been very well received and we expect sales to begin in early 2010. The Company has a strong balance sheet to meet its required debt servicing.

ITEM # 3

Disclosure Controls and Procedures

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 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.

8

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

9

SIGNATURES

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
Robert Y. Lee
Chief Financial Officer

Edgar Filing: HYDROMER INC - Form 10-Q

DATE: February 11, 2010

Edgar Filing: HYDROMER INC - Form 10-Q

10

EXHIBIT 31.1

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 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

Edgar Filing: HYDROMER INC - Form 10-Q

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: February 11, 2010

/s/ Manfred F. Dyck

Manfred F. Dyck, President and CEO

11

EXHIBIT 31.2

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:
 - 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

Edgar Filing: HYDROMER INC - Form 10-Q

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: February 11, 2010

Robert Y. Lee, VP

Robert Y. Lee, Vice President of Finance and CFO

12

EXHIBIT 32.1

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

AS ADOPTED PURSUANT TO
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 six months ended December 31, 2009 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: February 11, 2010

By: /s/ Manfred F. Dyck

Manfred F. Dyck
Chairman, President and
Chief Executive Officer

EXHIBIT 32.2

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 six months ended December 31, 2009 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: February 11, 2010

By: /s/ Robert Y. Lee, VP

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