HYDROMER INC
Form 10-K
September 24, 2009

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 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 Parkway, 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)

Check whether the issuer (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( )

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K (X)

The aggregate market value of the voting stock held by non-affiliates of the Registrant at September 1, 2009 was approximately $1,325,730.

The number of shares of Registrant's Common Stock outstanding on September 1, 2009 was 4,772,318.

Portions of the Audited Financials Statements for the year ended June 30, 2009 are incorporated by reference in Part II of this report. Portions of the Proxy Statement of Registrant dated September 18, 2009 are incorporated by reference in Part III of this report.

PART I

Item 1. BUSINESS

General

Hydromer, Inc (the "Company") is a bio-polymer research and development company organized as a New Jersey Corporation in 1980 for the purposes of developing polymeric complexes for commercial use in the medical, commercial, cosmetics and animal health markets.

Until September 1982, approximately 99% of the outstanding common stock, without par value (the 'Common Stock"), of the Company, was owned by Biosearch Medical Products Inc. ("BMPI"), which in turn was controlled by Manfred Dyck, who is the Company's current Chief Executive Officer, Director and the Chairman of the Board. On September 16, 1982, BMPI distributed its shareholdings in the Company pro rata to the holders of its common stock. In connection with this distribution, the Company granted to BMPI an exclusive, worldwide perpetual, royalty-free license for the use of Hydromer technology in connection with the development, manufacture and marketing of biomedical devices for enteral feeding applications. On February 4, 2000, the Company acquired all outstanding stock of BMPI for $0.20 per share, and now manages BMPI as a subsidiary.

The Company owns several process and applications patents for Hydromer(R) coatings ("Hydromer"). These polymers become extremely lubricious (slippery) when wet. Techniques have been developed for grafting or applying this substance onto a broad variety of materials, including other polymers like polyurethane, polyvinyl chloride, and silicone elastomers, ceramics and metals. The Company has also been issued patents for permanent anti-fog materials, hydrophilic polyurethane foams, hydrophilic polyurethane blends, hydrophilic polyvinylbutyral alloys, several biocompatible hydrogels and an anti-bacterial medical material. The Company continues to actively evaluate other new market opportunities for its polymer technology specifically in neurology and cardiology.

The Company also owns various trademarks, including AQUADAPT(R), a medical hydrogel; AQUAMERE(R), a water resistant film former product with cosmetic applications; AQUATRIX(R), a cosmetic hydrogel; Dermaseal(R), a dermal barrier film product for the prevention of contact dermatitis; DRAGONHYDE(TM), a hoof bath concentrate; Sea-Slide(R), a coating for watercraft hulls; and T-HEXX(R), a barrier teat dip product for the prevention of mastitis in dairy animals.

The Company's patents are typically broad based, having a multitude of different applications across various industries. Accordingly, the Company currently operates in the medical, commercial, cosmetics and animal health markets.

MEDICAL

From its inception in 1980 to mid-1984, the Company was primarily engaged in R&D activities related to Hydromer coatings used on medical devices. Since then and until the acquisition of BMPI, the Company's business in the medical field consisted of the sale of lubricious coatings and the licensing of its lubricious coating technologies. With the acquisition of BMPI in February 2000, the Company now offers a horizontally integrated breadth of services including medical device manufacturing, contract coating, equipment building and design, and R&D servicing.

The Company continues to focus on its coatings technologies as the nucleus of its participation in the medical field, including added developments of radio-opaque, biostatic/anti-microbial and more recently, cell anti-mitosis and

anti-thrombogenic coatings. As of June 30, 2009, the Company has three non-provisional patents pending, one on a non-leaching anti-microbial coating, and two on anti-microbial medical hydrogels for body cavities.

HYDROMER Coatings: Lubricious / Anti-microbial / Anti-thrombogenic / Cell mitosis / Radio-opaque

When treated with a Hydromer lubricious polymer, a medical device becomes very slippery when wet, allowing for easy insertion into any orifice of the body, in penetration of the skin or for device-on-device (i.e. guidewire-catheter) use. Hydromer coatings are permanently bonded to the device unlike silicone lubricants, which must be applied after each use and are often left behind in the bloodstream and body cavities. Hydromer coatings can also be coated on complex surfaces and on the inside walls of devices, unlike the treatments by major competition. The Company believes that the polymer-water interface of its Hydromer coatings provides surface lubricity superior to the quality of other currently marketed silicone-based lubricants to treat medical devices.

Drugs and other substances can be readily incorporated into Hydromer, both in a bound and unbounded fashion, allowing for controlled release from the device for therapeutic purposes or the creation of permanent biocidal or biostatic surfaces (anti-microbial coatings).

Certain Hydromer coatings have been shown in numerous studies to reduce the risk of thrombogenesis or clot formation on devices. Such anti-thrombogenic coatings can be applied to cardiovascular stents, oxygenators, blood warmers, hemodialysis equipment, intravenous catheters and much more.

In 2006, the Company introduced new technology on its cell anti-mitosis coatings which decreases cell proliferation and cell adhesion and prevents platelet adhesion. This coating appears to have the attributes needed for a cardiovascular stent to combat restenosis and late stage thrombosis. In vitro (lab) studies have yielded positive results. Leveraging on this new technology, the Company developed a coating that promotes cell proliferation.

The Company was awarded a patent on its radio-opaque coatings in 2003. Hydromer's radio-opaque coatings enhances the visibility of a variety of substrates, including, but not limited to, stents and PTCA balloons.

Stand-still and License Agreements

A portion of the Company's revenues is derived from stand-still and license agreements (see 'Patents and Trademarks" section). Stand-still agreements provide customers the right for a finite period of time (i) to use the Hydromer process to determine whether the customer's products lend themselves to treatment with the process and (ii) to test market such products. The stand-still agreements can also provide the customers the right to subsequently enter into a license agreement with the Company and to market the product(s) treated with Hydromer, which typically provides the Company an initial flat fee, followed by periodic royalty payments based on sales.

The Company has previously reported license agreements in effect and expiring relating to applications of the Hydromer as follows: Annual Report on Form 10-K for the fiscal years ended June 30, 1983 through 1996 and Form 10-KSB for fiscal years ended 1997 through 2008.

Supply and Support Agreements

In order to avail our customers to a continued material source or of technical support on our products, certain supply or support agreements may be entered into. Depending on the specific requirements of each agreement, the Company would provide continued support in terms of product availability or technical know-how, some including the escrow of formulas or data with independent agents.

As of June 30, 2009, the Company has license or supply and support agreements

with nineteen companies covering the application or availability of Hydromer coatings to the following devices:

angioplasty balloon catheters,
biliary and pancreatic stents
central venous catheters,
embolization delivery devices,
enteral feeding products,
guidewires,
guiding and umbilical catheters
infusion microcatheters,
inter/intra-ocular lenses,
certain urological devices, and
certain vascular devices .

The Company is actively seeking new licensing opportunities and/or supply and support agreements.

Hydrogels, Drug Delivery, Wound Dressing
Applications of the Company's Hydrogels are being developed for wound care, implants, drug delivery, burn care, conductive hydrogel electrodes, ultrasonic couplants and cosmetic uses for several customers. The Company is also identifying strategic partners to offer hydrogel coating services to clients who do not have rolled goods coating capability and to license Hydrogel technology for cosmetic and medical use, including drug release.

The Company's hydrogel technology offers biocompatibility, flexibility, and ease of use and processing. It also allows for the stabilization of biomolecules, cell cultures, drugs and other active substances without potentially damaging external energy sources. It is absorbent, inherently self-adhesive but peels away cleanly and is naturally soothing. Other than our bio-adhesives and medical coatings, which are one part systems, to form the gel entails simply to mix the two parts together - no heat, no chemical cross linkers nor expensive high energy processing is required. Many competitive technologies are much more process intensive and require external energy to crosslink. The Company believes these products are synergistic to our existing hydrogel technologies, and offer further opportunities in electrodes and internal and topical actives delivery. The Company has a pilot coating machine to facilitate the commercialization of its hydrogel technologies. The Company is exploring other medical and dental as well as cosmetic applications for this technology.

Aquadapt is the Company's hydrophilic polyurethane foam technology. The Company has 510K notices to the FDA for medical use applications in the U.S. The Company also has a patent on its chitosan-PVP hydrogel technology as well as patents granted in 2000 and 2002 on polyaldehyde hydrogels.

Following two years of development and human clinical studies, one of the Company's Hydrogel technologies is ready for market once "freedom to market" (legal clearance of non-blocking patents) is cleared. The Company anticipates such to occur during fiscal 2010.

OEM Medical Devices
Through its ISO 13485:2003 certified and FDA registered Biosearch Medical Products subsidiary, the Company offers 510K/CE marked medical devices. The current product portfolio includes: bipolar coagulation probes; placement catheters, biliary stents; jejunal and enteral feeding accessories; guidewires; biofeedback devices for fecal and urinary incontinence; and other endoscopic accessories. The Company also contract manufactures products for several large multi-national marketers of medical devices on an OEM basis. Under current development are umbilical vessel and CVC/dialysis catheters. In 2009, the Company sold its bipolar coagulation probe and biliary stent product lines to

Merit Medical System, Inc.

HYDROMER Coating Services
The acquisition of BMPI in 2000 allowed for the Company to realize another venue of revenues: Coating Services. Utilizing the acquired medical device manufacturing know how and by applying its coatings technologies, the Company began offering coating services, in which the Company coats third party devices with its Hydromer coatings. The Company's knowledge in coatings technologies allows it to coat various types of material, such as silicone, stainless steel, Pebax and polypropylene cost effectively, whereas some of the competition is unable to. Global clients are using this service in the urology, cardiology and neurovascular markets.

The Company continues to expand its activity in coating services and is actively seeking new opportunities to provide contract development, coating and manufacturing services to the medical, commercial and personal care industry, utilizing its Hydromer and Anti-Fog coating technology and expertise. The Company further continues to believe that these services will enable a broader range of customers to use our materials in market on accelerated timelines in a more cost effective manner.

R&D and Engineering Services
The medical device market continues to undergo a shift toward consolidation by very large multi-national players with small, entrepreneurial start-up companies looking to exploit niche opportunities or unique device designs. The Company's experience and knowledge can significantly speed development, assessment and market readiness for our clients, large and small, through its research and development and engineering services.

For example, for medical devices such as coronary stents and brain catheters, the Company can develop the coatings, including drug eluting coatings, establish the manufacturing and QA protocols, design and build the coating equipment, start up scale prototype production and eventually transfer the process assisting the customer in the transition.

The Company believes that offering prototyping, process development and small-medium scale coating/ manufacturing services is fundamental to the expansion of the Hydromer coatings business, and a strategic imperative. The Company will endeavor to become a "one stop" supplier of high performance coatings and services.

The Company also has anti-microbial testing capabilities in-house to perform crucial first developments on the performance of colonization control medical coatings, cosmetic intermediates and mastitis control products in the T-HEXX Animal Healthcare division (see Animal Health).

INDUSTRIAL/COMMERCIAL
Hydromer Anti-Fog/Condensation Control is an optical coating which prevents the accumulation of vision-obscuring condensation under high humidity conditions. The Company is selling this material to manufacturers of greenhouse panels, refrigerator freezer doors, industrial and medical safety and swim goggles, aircraft windows, automotive headlight assemblies and gauge and meter manufacturers in the U.S. and internationally, including China. Food grade Anti-Fog coatings, formulated with materials that are generally recognized as safe for food contact as confirmed by independent laboratory extraction testing, are under evaluation by various parties.

The Company also offers a Sea-Slide coating that reduces friction between hull and water, and can be used over most anti-fouling paints. Independent testing has confirmed that this technology significantly improves fuel economy and the hull speed of watercraft. Sea-Slide products are marketed through HammerHead Products, Inc., via an exclusive distribution agreement.

COSMETICS

The Aquamere series of the Company's cosmetic intermediaries are sold to major cosmetic companies worldwide for use in hair dyes, hair conditioners, mascaras, eye shadows, sunscreens and body lotions. They are currently in test for use in shampoos, hair styling aids, OTC dermal drug delivery and topical disinfectants. The Aquamere series of cosmetic polymer solutions, introduced in 1988, are both aqueous and hydro-alcoholic based systems. They are also offered with cationic and silicone grafted modifications. Formulations have also been developed internally utilizing this technology and are being offered for sale as turnkey products to smaller marketers of personal care products.

The Company's Dermaseal line, a patented film-forming hydrogel technology, is currently being sold to major cosmetic companies as a base for foundations and other skin care products. It is also being tested for use in broader skin care, cosmetic and OTC drug delivery. Dermaseal is the registered trademark for barrier film compositions, patented in fiscal 2000 along with the method for preventing contact dermatitis. Clinical testing has demonstrated that these compositions protect the user from the effects of contact with poison ivy, oak or sumac plant allergens. Technical testing has also demonstrated protection from latex proteins, nickel and other contact allergens.

In 2006, the Company added a unique anti-microbial polymer to its product line. When used for beauty cosmetics, contamination and infections can be reduced.

Changes in the regulatory environment, including that of the European requirements of REACH: Registration, Evaluation and Authorisation of Chemicals, can adversely impact the marketability of existing cosmetics and other products. It is the Company's intention to meet any changes to regulatory requirements, including that of reformulating where necessary.

ANIMAL HEALTH

In Fiscal Year 1999, the Company's polymer technology was used to launch the Company's entry into the Animal Health field to combat clinical and sub-clinical mastitis, a problem that costs U.S. Dairy farmers an estimated $2 billion per year. Marketed under the T-HEXX brand, initially through U.S. licensees, the T-HEXX Barrier Dips and Sprays offer dairy farmers exceptional value and unsurpassed protection as the first no-drip and water resistant barrier products on the market preventing environmental water containing mastitis-causing organisms, including mycoplasma, from reaching the teat surface. The Company has received three patents for its unique barrier teat dip compositions with an application on a fourth patent pending.

The annual U.S. market for barrier teat dips is estimated to be $100-130 million at the farm level. The T-HEXX Barrier products contain protocol-proven active ingredients that kill mastitis-causing bacteria within 30 seconds of contact while continuing to remain active up to 12 hours later. T-HEXX Barriers are superior performers in its niche market, while priced comparably or less than barrier dip products manufactured by the leading sanitary chemical companies in the world. Our products are compatible with existing mechanical equipment and milking procedures and most importantly, are easily removed using traditional pre-milking methods. Based on field tests, our product has been demonstrated to stay on the cow teat better than the competition, protecting the cow during the complete 8-12 hour milking cycle.

In fiscal 2002, the Company launched a complementary product, T-HEXX DRY External Teat Protection Sealant, to protect cows during the non-lactation ("dry cow") period. T-HEXX DRY is used as a non-irritating low-cost sealant during the dry-off and the critical pre-calving period where it is estimated that over 50% of new mastitis cases are believed to start. T-HEXX DRY is the first dry cow dip product with an anti-microbial that remains on the teat for 3-7 days. Clinical studies show that T-HEXX DRY is impervious to National

Mastitis Council (NMC) recognized mastitis-causing organisms for seven days, yet is comparably priced to existing dry cow teat sealants that does not offer such protection. Our product is suggested to be used on cows just prior to their release to the dry cow pen, in conjunction with existing antibiotic therapy or internal teat sealants. In fiscal 2004, two customers launched our Dry product under their private-label name, reflecting the strength of our product.

In fiscal 2009, the Company launched a T-HEXX DRY external teat sealant for organic dairies: T-HEXX DRY Green-S with natural actives. The Company also launched a new product line T-HEXX Syrup concentrated post-milking barrier teat dips which requires just a blending with water: reducing logistics and shipping costs to our customers while maintaining the superior performance that existing T-HEXX products provide.

Patent pending and under field studies by a customer, is a teat plug, which when launched, would allow the Company (directly and/or indirectly) to provide complete protection against mastitis for the entire bovine working cycle.

The Company has invested significantly in clinical research, patents, promotion, vendor partnerships and advertising via print media, trade shows and the Internet to support this business and continues to do so. Under development are various new products, including non-barrier dips and sprays and a hoof bath concentrate. These are in various stages of clinical or field studies and customer evaluation. A new focus on international distribution has been made in late fiscal 2009, including a dedicated product manager as well as increased customer calls and promotions planned. Legal action was initiated against a former licensee and other parties in fiscal 2004 on the basis of infringement of the Company's patented technology. Settlement was made in early calendar 2006 with all parties, authenticating both the validity of the technology as well as ownership of such.

Products

Coating solutions for use on medical devices, cosmetic intermediaries, hydrogels and teat barrier dips/sprays are manufactured and sold by the Company to its licensees and others. The Company is selling anti-fog solutions to manufacturers of greenhouse panels, refrigerator freezer doors, swim goggles, industrial safety equipment, aircraft windows and meter covers, both in the U.S. and foreign countries. The Company also sells OEM medical devices through its Biosearch Medical Products subsidiary.

The Company has no long-term contracts with any of its suppliers and believes that there are adequate alternative sources of supply available for all raw materials that it currently uses.

Dependence Upon Customers

The Company derives its revenues from two primary business segments: (1) polymer research and the products derived there from, and (2) the sales of medical products. During the fiscal year ended June 30, 2009 and June 30, 2008, Johnson & Johnson's Cordis Division was a significant customer to the Company. For the fiscal year ended June 30, 2008, Cook Endoscopy, was also a major customer.

Product sales and/or royalty payments and support fees from these customers accounted for 10% and 24% of the Company's total revenues for the years ended June 30, 2009 and June 30, 2008, respectively.

Potential Applications

The Company continues to explore other applications of the complexing capabilities of polymeric substances, such as anti-microbial agents. The Company currently is working on further applications of its patented technologies to existing products of other companies, including cosmetics,

wound dressings, personal care and a wide variety of medical devices, including vascular stents. Some of these products and applications are in the preliminary development stage and are subject to substantial further development before their feasibility can be verified.

On the basis of its market analyses, as well as laboratory and in-vitro testing of certain applications of Hydromer, the Company believes that Hydromer's potential product applications, classified with reference to salient Hydromer characteristics, are as follows:

1. Low Coefficient of Friction. Hydromer is a hydrophilic coating which when contacted by water becomes extremely lubricious. The Company believes that this unique feature would prove beneficial to any medical device that is inserted into the body. Medical products that would so benefit include:

urinary products - urethral catheters, stents and urinary drainage systems;
rectal products - enemas, rectal tubes, examination gloves and proctoscopy devices (disposable);
nasal/oral products - suction catheters, oxygen catheters and endotracheal tubes;
cardiovascular and related products - grafts, cardiac assist catheters heart-lung tubing, stents.

2. Ability to be Complexed with Other Functional Chemicals. The Hydromer hydrophilic polymer coating can be complexed with other chemicals. For example, Hydromer coating complexed with iodine forms an effective anti-microbial barrier. The Company believes that this unique feature would lend itself to application on a wide variety of currently marketed medical products, including vascular stents, Foley catheters, wound drains, wart and corn dressings, burn dressings, intravenous catheters, surgical dressings and adhesive bandages. One of the Company's patents in the coating area, issued in April 2000, involves the covalent bonding of infection resistant materials into the coating, providing a non-leaching, anti-infective surface. The Company was also granted a patent in July 2003 for covalently bonded radio-opaque polymeric compositions to improve the radio-opacity of materials without needing high solid loading, metal plating or ion implantation for applications like stents and vascular catheters.

3. Cross-link Density Can be Controlled. The Hydromer hydrophilic polymer coating, through controlled cross-linking, has been further developed into a special anti-fog coating. Such a coating is (a) resistant to fogging under a wide range of temperature/humidity conditions; (b) transparent and has heat/light stability; (c) long lasting, i.e., will not chip or peel and offers more scratch resistance than do most commercial plastics; (d) inert to most commercial glass cleaners; (e) less prone to static dirt pickup; and (f) applicable by dip, spray or roll coating. This anti-fog product has use on greenhouse panels, refrigerator freezer doors, sports goggles, windows, mirrors and other products, either by direct application or by coating of an adhesive backed film.

Research and Development
The Company's research and development activities presently are, and during the next year are expected to be devoted primarily to the development and enhancement of the products described above and to the design and development of new products, either for its own account, jointly with another company or strictly as a sub-contractor. The Company sponsors all of such activities from its own internal funding or through charges to the contracting company. The major portion of R&D expenses was applied toward salaries and other expenses of personnel employed on a regular basis in such work.

Competition
The Company considers the most significant competitive factors in its market

for its patented coatings to be product capability and performance (including reliability and ease of use), in addition to price and terms of purchase.

The Company currently owns ten process and applications patents for Hydromer coatings (see "Patents and Trademarks"). Although the medical products market is highly competitive, the Company does not believe that there is any other product available which performs functions significantly better in terms of lubricity, complexing capabilities, durability and cost.

While management believes the Company has a strong position in the market for medical device coatings in which it competes, and that its hydrophilic foam, anti-fog coatings and hydrogel products are technologically superior to other products in the market, there can be no assurance that alternatives, with similar properties and applications, could not be developed by other companies. The Company is aware that there are other similar technologies available and/or being developed by others. The industry in which the Company competes is characterized by rapid technological advances and includes competitors that possess significantly greater financial resources and research and manufacturing capabilities, larger marketing and sales staffs and longer established relationships with customers than the Company does, at present or will for the foreseeable future.

Marketing

The Company markets its products and services through five principal means:

1. Commercialization of its existing technologies: The Company intends to expand its efforts to market its current technology to the medical, industrial, personal care and animal health markets. The Company has expanded its capabilities to prototype and manufacture for customers to demonstrate the value of Hydromer technology. The Company will also seek opportunities to apply its technology in new applications where the technology will offer a benefit. Further, the Company will seek customers for technologies that have been developed but are not currently generating revenue, capitalize on the technology that has been created through its R&D efforts and to expand the application of current technologies.
2. Sale of Development Services: The Company intends to continue moving its effort away from straight technology licensing and toward contract product development, contract manufacturing and coating services (see "5. Coating Services"). The Company has significant expertise in polymer development and applications. By exhibiting at an increased number of trade shows in the medical device fields, the Company expects to generate interest in its technology and products, with a view toward acting as an outside product development arm and development supplier for companies in these fields.
3. Joint Development: The Company will continue to seek joint development programs, co-marketing programs and other business arrangements with potential partners.
4. Licensing: The Company will continue its endeavors to license its technology to current market leaders in the medical device, pharmaceutical and other fields, whereby the Company will grant exclusive or non-exclusive rights for the Hydromer coating treatment of existing or new products, and the development of specific products utilizing its foam and hydrogel technology under its patents. In return, the Company generally would earn royalties based on sales of such treated or new products. Such licenses will usually be very narrow. The activities leading to the consummation of a license agreement normally are lengthy and require establishing a scientific dialogue with potential customers, treating samples supplied by that customer with Hydromer coatings, determining if the treatment is feasible and cost effective, testing the coated products in a laboratory and then negotiating a mutually acceptable option agreement. An stand-still fee may be paid by the customer which would give the customer exclusive rights to use the Hydromer treatment on the specified product for a defined time period. During such period, the customer can test market the coated product and/or determine its ability to treat the product in its own manufacturing process. If the customer determines that the

subject product should be treated with Hydromer coating on a commercial basis, it may either perform the Hydromer coating treatment itself under a license agreement with the Company, through the Company's Contract Coating unit or it may have a third party perform the Hydromer coating treatment.
5. Coating Services: The Company will serve the customer who needs products coated with lubricious or anti-fog coatings in production runs that are economically feasible without substantial investments in fixturing and automation. Typically this would be prototypes or runs of low volume, high value products. Higher volume products could be accommodated if they were physically small and did not require extensive fixturing or because for technical reasons they could not be automated and were of high enough value to warrant the added cost. The Company will pursue large volume projects if they fall within a technical area where the Company has particular expertise.

Business segments in Coating Services which are of particular interest include medical devices (catheters and guidewires) and transparencies (lenses, face shields). Contacts will be pursued in conjunction with marketing of Hydromer coatings, at trade shows, in mass mailings and advertisement in appropriate trade publications. The Company is continually upgrading its advertising copy and promotional literature as needed to graphically highlight the properties and advantages of its technologies.

The same marketing tools (traditional means of tradeshow contacts, mass mailings, advertising, promotional activities, etc.) as well as alternative methods (such as the Internet) are used by the Company in its focus of expanding sales globally to the medical, commercial, personal care and animal health community.

Patents and Trademarks
Management believes that the protection afforded by the Hydromer patents will be a significant factor in the Company's ability to market its products. Anticipating patent expiration, the Company has focused on licensing and developing products based upon its newer technologies.

As an example, one U.S. patent that contributed approximately $2,100,000 in annual royalties from four licensees expired on May 6, 2005. Although the Company had a new patent on superior technology available, the Company was successful in reaching supply and/or support agreements with the four former licensees recovering an approximate $1,500,000 annually. These new supply/support agreements have varying terms and cancellation provisions.

It is the Company's practice to replace any discontinuances of income stream with other sources, including new product revenues, new service revenues and other license or contract revenues.

As of June 30, 2009, the Company has 10 U.S. patents, three U.S. applications and various foreign counterparts. The Company's existing patents covers hydrophilic coatings and foams, hydrophilic polymer blends, anti-bacterial medical and cosmetic materials, non-leaching biostatic coatings, barrier film and barrier teat dip compositions and its method for preventing contact dermatitis, permanent anti-fogs, Chitosan gels and others.
The Company owns the registered trademarks "Aquadapt", "Aquamere", "Aquatrix", "Dermaseal", "Hydromer", "Sea-Slide" and "T-HEXX" and the common law mark of "Dragonhyde" in the United States and other countries.

Employees
As of June 30, 2009, the Company and its subsidiary had seventy-three active full-time employees. The Chief Executive Officer is Manfred F. Dyck, who is also Chairman of the Board. The Company does not have a collective bargaining agreement with any of its employees and considers its relationship with its employees to be very good.

Government Regulations

The uses of the Company's medical, agricultural and cosmetic products come under the jurisdiction of the FDA, as well as other federal, state and local agencies, and similar agencies in other countries.

In connection with the Company's license agreements, it is generally the obligation of the licensee to conform to any required FDA pre-market notification or other regulations. To the Company's knowledge, all such licensees who are marketing licensed products are in such compliance. The Company expects to market additional applications of Hydromer to existing products, or products introduced by it, which may be subject to such FDA approval and/or foreign regulatory agencies' procedures as proof of safety and effectiveness of the applications or products, or adherence to prescribed design standards. There can be no assurance that such approvals would be forthcoming or of compliance with such standards. Any such failure to obtain approvals or non-compliance might have a significant adverse effect on the Company. However, the Company intends to make every effort to obtain all necessary approvals and to comply with such standards, and in the case of its licensed applications, to require the licensees to obtain such approvals.

The Company manufactures and contract coats medical products through its Biosearch Medical Products subsidiary ("Biosearch"), whose activities come under the jurisdiction of the FDA. It is the policy of the Company to use the FDA regulations as guidelines during manufacturing of Hydromer coatings.

The Company is also subject to federal and state regulations dealing with occupational health and safety and environmental protection. It is the policy of the Company to comply with these regulations and be responsive to its obligations to its employees and the public.

The Company's electronically filed reports are available at www.sec.gov.

The executive officers of the Company are as follows:

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Name	Position with Company	Age as of Aug 31, 2009
Manfred F. Dyck	Chairman of the Board, Chief Executive Officer and President	74
Martin C. Dyck	Executive Vice-President, Operations and President Biosearch Medical Products subsidiary	47
Rainer Gruening	Vice-President, Intellectual Property	66
John Konar	Vice-President, Quality Assurance and Director of Human Resources	60
Robert Y. Lee	Vice-President, Finance,	

Chief Financial Officer and Treasurer 43

Robert J. Moravsik - Senior Vice-President,

General Counsel and Secretary 66

Manfred F. Dyck has been Chairman of the Board of the Company since June 1983 and a Director of the Company since its inception. Mr. Dyck served as Chief Executive Officer of the Company from its inception until October 1986, and as of August 1989, reassumed the duties of Chief Executive Officer. Mr. Dyck was President of Biosearch Medical Products Inc. from 1975 until 1998 and a Director of Biosearch Medical Products Inc. from 1975 until 2000.

Martin C. Dyck has been Executive Vice-President, Operations since June of 2001. He was previously Vice-President of Operations since February 2000 when the Company purchased Biosearch Medical Products. Mr. Dyck has been President of Biosearch since 1998, a position which he still maintains. Mr. Dyck has been employed by Biosearch since 1986 and has served in various capacities including Director of New Product Development, where he developed several new medical devices and authored six FDA 510(k) pre-market submissions. After becoming President of Biosearch in 1998, Mr. Dyck changed the focus of Biosearch to become a contract medical coatings service provider using proprietary technology unique to Biosearch.

Rainer Gruening joined the Company as Vice-President of Research and Development in June 2001, and in May 2006 became VP of Intellectual Property. With a Ph.D. in Chemistry from the University of Marburg in Germany, his background includes service with Bayer AG/Deutsche Solvay Werke, Troy, G+G International and AM Cosmetics in areas including international regulatory affairs, coatings technology and anti-microbials. Mr. Gruening authored and/or co-authored 17 patents and 35 publications on synthesis and formulation of anti-microbials for paint and coatings, cosmetics, personal care products, medical coatings, adhesives, marine anti-fouling and metal working fluids and developed dossiers, safety assessments and GMP documentation. Additionally, he implemented FDA/CTFA, European and Japanese compliance requirements for raw materials and formulation restrictions.

John Konar has been the Vice-President of Quality Assurance since February 2004 and Director of Human Resources since February 2000. Mr. Konar joined Biosearch in 1986 and served as the Director of Human Resources with Biosearch from 1996 until its acquisition by the Company in 2000, when he then assumed responsibilities for both companies. He also served, with Biosearch, as the Director of Sales from 1996 until 2000, Director of QA from 1998 until 2004 when promoted to VP of QA, and Director of Manufacturing from 2000 to 2001.

Robert Y. Lee joined the Company in the capacities of Vice-President of Finance, Chief Financial Officer and Treasurer in June 2001. He earned a MBA in Finance and International Business, and a Bachelors of Science in Accounting and Information Systems, both from New York University's Stern School of Business. His professional experience includes tenure in the Emerging Business Group of the New York office of Coopers & Lybrand (currently Pricewaterhouse Coopers), the Bristol Myers Squibb Internal Auditing group, ASARCO's Southern Peru Copper Corporation, now Southern Copper Corporation, part of Grupo Mexico, and Citigroup.

Robert J. Moravsik has been Senior Vice-President, General Counsel and Secretary since February 2000. He holds a B.S. in Aerospace Engineering, an M.S. in Computer Science and a Doctorate in Law. He was Vice-President and

General Counsel since April 1998. He also serves in the same capacity for Biosearch Medical Products, Inc. an affiliated company since 1987. Prior to that, he was Vice-President and General Counsel to Fisher Stevens, Inc., a subsidiary of the Bureau of National Affairs. He is an attorney admitted in the states of New Jersey and New York.

Item 2. PROPERTIES

In June 1998, the Company purchased the building and land at 35 Industrial Parkway, Branchburg, NJ from Biosearch Medical Products, then an affiliated party. The facility, currently its sole facility, is secured by a mortgage through a bank. See the financial statements included herein for the terms of the agreement.

In 2002, the Company completed its 10,400 square feet expansion at its primary location of 35 Industrial Parkway. This allowed the Company to consolidate certain manufacturing and quality assurance functions operations formerly located on leased space.

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

Item 3. LEGAL PROCEEDINGS

Not applicable.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Prior to January 9, 1986, the Company's Common Stock was traded in the over-the-counter market on the National Association of Securities Dealer's Automated Quotation System (NASDAQ) under the symbol "HYDI". Subsequent to January 9, 1986, reporting of trading was transferred to the National Daily Quotation Service (commonly known as the "Pink Sheets"). For the past twenty-three years, trading in the Company's stock has been limited.

On February 13, 2002 the Company became a listed security on the Boston Stock Exchange ("BSE") under the trading symbol "HDO" until the BSE ceased trading activities in 2007. Hydromer remains listed as "HYDI" on the OTC reporting services.

The Company's common stock traded at prices ranging between $0.25 and $2.50 in the fiscal year 2009 and between $0.51 and $2.25 in the fiscal year 2008. These prices may not include retail mark-ups or mark-downs or any commission to the broker dealer.

The approximate number of holders of record of the Common Stock on September 1, 2009 was 220. There are approximately 600 individual shareholders of the common stock.

Item 6. MANAGEMENT DISCUSSION AND ANALYSIS

The below discussion analyzes major factors and trends regarding the results of operations and the financial condition of the Company as of June 30, 2009, and its results of operations for the prior fiscal period. It should be read in conjunction with the Financial Statements and Notes thereto.

Revenues for the year ended June 30, 2009 were $7,752,007 as compared to $8,010,324 for the same period last year, a decrease of $258,317 (3.2%).

Product sales and services revenues were $6,518,424 for the 2009 fiscal year as

compared to $6,422,557 the prior fiscal year, a 1.5% increase or $95,867.

License royalties and contract payments were $1,233,583 in fiscal 2009, down 22.3% from fiscal 2008's results of $1,587,767.

Management Comment: The global economic down turn unfavorably impacted our non-medical product lines (industrial, cosmetics and animal health). The net increase in medical product sales (chemical coating sales and medical devices) though, was not sufficient to offset the non-medical product lines. Sales growth in medical coating sales resulted in part from the transition conversion from contract coating services to chemical sales [and license/support fees]. The sale of two medical device product lines and its subsequent negotiated transfer price agreement (Hydromer provided medical devices at a reduced transfer price to the purchaser of the product lines), reduced sales income by approximately $210,000. Third party sterilizer delays and parts availability issues further reduced medical device sales in fiscal 2009.

In the aggregate, contact coating services income remained flat between the years. However, a customer began its conversion from procuring coating services from the Company to purchasing chemical coatings for their own application servicing. The 2009 fiscal year includes the overlap of purchases to the sum of approximately $200,000 where the customer began purchasing chemical coatings during the transition while phasing down the contract servicing.

A non-recurring (not annual) R&D project contributed $276,000 in services revenues for the fiscal 2009 year accounted for the majority of the services revenues increase.

A major customer cancelled their $100,000 per month Supply and Support Agreement effective December 31, 2008. A new agreement, guaranteed for fifteen months with renewal options at $35,000 per month, was entered into effective January 1, 2009. Under the new agreement, the customer no longer had exclusive rights to the technology.

Total Expenses for the year ended June 30, 2009 were $7,248,790, an improvement of 7.5% or $584,068 lower than the 2008 fiscal year results of $7,832,858.

Cost of Goods Sold was $3,193,773 for fiscal 2009 as compared to $3,044,157 for fiscal 2008. Operating expenses were $4,943,366 and $4,622,893, for the years ended June 30, 2009 and 2008, respectively. Other Expenses added $223,886 to expenses for fiscal 2009 as compared with $152,553 for fiscal 2008. Income Taxes were $181,113 in fiscal 2009 compared with $13,255 in fiscal 2008. Reducing expenses in fiscal 2009 was the one time Gain from Sale of Assets of $1,293,348.

Management Comment: Higher sterilization activity following the third party sterilizer issues added approximately $110,000 in other Cost of Goods Sold costs during the fiscal 2009 year. The transfer price agreement associated with the sale of two medical device product lines reduced margins (increased Cost of Sales as a % of Product sales).

Following a one-year salary reduction (2006-7) and no salary increase since then for the executive management team, a one-time bonus was approved by the Board of Directors following the sale of assets for $1,600,000. In total, $125,000 in bonuses was awarded. During fiscal 2009, $167,252 of capitalized patent costs were written off. This compares with $126,420 in patent write-offs the year before. Such charge-offs occur when the related discounted future cash flows of a patent is deemed to be below its current carrying value. At times, certain patent groups will continue to be maintained and supported although they have been written off (costs charged directly to expense and no longer capitalized and amortized over future years). In addition, fiscal 2009

included higher marketing expenses, including an added international trade show, for the introduction and promotion of new T-HEXX Animal Health products and higher Occupancy costs, including higher utilities costs and property taxes from a reassessment.

The Company's Operating Expenses includes "re-investment" costs: Research & Development expenditures (primarily salaries and benefits) and funding to its patent estate. To a degree, such "re-investment' costs could be eliminated on a current basis, however, such action would be significantly detrimental to the future growth of the organization. That said, the Company's investment into Research and Development was $883,616 and $790,006 for the years ended June 30, 2009 and 2008, respectively, or 17.9% and 17.1% of total Operating Expenses. Amortization [expense] of the patent estate was $197,104 and $190,765 for the years ended June 30, 2009 and 2008, respectively (4.1% of total Operating Expenses for both periods).

A provision for Income Taxes of $181,113 in fiscal 2009 is compared with Income Taxes of $13,255 for the year ended June 30, 2008. There was $564,000 in Income Taxes as a result of the Gain on sale of Assets which was reduced from the realization and utilization of tax credits (NOL's and R&D tax credits), some of which had valuation allowances applied against it in previous years.

Net Income of $503,217 is reported for the 2009 fiscal year compared with a Net Income of $177,466 for the 2008 fiscal year.

Net Income of $503,217 or $0.11 per share is reported for fiscal 2009 as compared with $177,466 or $0.04 per share for fiscal 2008.

Management Comment: The sale of product lines yielded a one-time gain of $729,348 after taxes. The unforecasted cancellation of the $100,000 per month Supply and Support Fees, replaced with a $35,000 per month agreement, impacted pre-tax income by $390,000. Other non-recurring items (revenues from R&D project, higher sterilization usage, management bonus, write-offs of patent expenses) also impacted the earnings of fiscal 2009.

Liquidity and Capital Resources
Working Capital as of June 30, 2009 was $2,992,698 up $2,159,221 from $833,477 the prior year.

Working Capital generated from operations and the sale of product lines (net of income taxes), with add-backs for depreciation and amortization expense and non-cash charges (write-down of patent costs, write-off of equipment and deferred taxes), during the 2009 fiscal year, was used to fund capital expenditures and the patent estate. Part of the funds from the cash-out mortgage refinance was used to pay-off and close the Line-of-Credit facility. The replacement of 10-year term mortgages with a 25-year term further contributed to working capital.

Management Comment: During the fiscal 2009 year, the Company began its endeavor to strategically strengthen the organization: both financially as well as operationally. Included to date was the mortgage refinance and sale of product lines. These actions strengthened the Company's financial position (generated cash, reduced inventory levels / holding costs, swapped out a short-term revolving line-of-credit facility with a long-term loan and reduced monthly debt servicing levels; all leading to a much improved liquidity position) as well as leading to a more focused organization (the sold product lines were more labor intensive as well as having higher raw materials and other requirements (such as outside sterilization) than the goal).

The sold product lines (sales price represents the discounted stream of future earnings) along with a $65,000 per month cash reduction (net effect of the cancelled Supply and Support Agreement with the subsequent replacement) leaves

future years at a disadvantage to start. Based on the Company's recent actions though, it has a strong relative cash position and liquidity to meet required debt servicing and capital expenditures along with any shortfall to start. The Company has entered into many new Supply and/or Support Agreements during the past few years and continues to do more, as well as having new Contract Coatings agreements, engineering services and new T-HEXX customers in the pipeline to add to other revenues from technologies currently under evaluation. We look to have such "newer" revenues replace the lost revenues.

Item 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

For information concerning this item, see pages F-1 through F-8 of the "Audited Financial Statements for the year ended June 30, 2009," which information is incorporated herein by reference.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

Item 8a. DISCLOSURE CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including the Chief Executive Officer and President and the Chief Financial Officer, we evaluated the effectiveness of the design and operation of the disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934 (the "Exchange Act")). Disclosure controls and procedures are the controls and other procedures that we designed to ensure that we record, process, summarize and report in a timely manner the information we must disclose in reports that we file with or submit to the Securities and Exchange Commission under the Exchange Act. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There were no changes to our Company's internal control over financial reporting that occurred during the period that has materially affected, or is reasonably likely to materially affect the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. This internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2009. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on our assessment, we believe that, as of June 30, 2009, the Company's internal control over financial reporting is effective based on those criteria.

There are two deficiencies, which are not required to be disclosed but to which management has elected to disclose, within the Company's internal control over financial reporting:

Segregation of Duties (control deficiency)

Due to the size of the Company, there is a lack of a proper segregation of duties, including that of the Chief Financial Officer.

Reporting Controls over Inventory (significant deficiency)

The Company lacks a perpetual inventory system to adequately account for inventory transactions and to report inventory, leading it to be reasonably possible that financial statements are misstated during interim periods. Full physical inventory counts are conducted at year-end allowing for any misstatement to be inconsequential. The sale of two product lines in February 2009 reduced inventory levels by approximately 40% from year-end 2008 to year-end 2009, further reducing the risk levels.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation pursuant to temporary rules of the Securities and Exchange Commission.

PART III

Item 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

For information concerning this item, see "Item 1. Business - Executive Officers" and pages 3 through 11 in the Proxy Statement filed with respect to the 2009 Annual Meeting of Shareholders (the 'Proxy Statement"), which information is incorporated herein by reference.

Item 10. EXECUTIVE COMPENSATION

For information concerning this item, see page 9 of the Proxy Statement, which information is incorporated herein by reference.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

For information concerning this item, see page 10 of the Proxy Statement, which information is incorporated herein by reference.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the past fiscal year, there have been no related party transactions.

PART IV

Item 13. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial Statements:

The financial statements of the Company incorporated by reference in this Report are listed in the attached Index to the Financial Statements and Supplementary Data.

(a) 2. Financial Statement Schedules:

The financial statement schedules of the Company filed in this Report are listed in the attached Index to Financial Statements and Supplementary Data.

(a) 3. Exhibits (not included)

The exhibits required to be filed as part of this Report are listed in the attached Index to Exhibits.

(b) Current Reports on Form 8-K:

The Company filed seven Form 8-K's during the year ended June 30, 2009. Each 8-K reported press releases issued by the Company: (1) Entering into Supply

and Support Agreement for Stent Placement Catheters, (2) Announcing the T-HEXX Animal Health Division going "Green", (3) Entering into the Taiwanese Market, (4) Entering into the Chinese Market, (5) Cancellation of a Supply and Support Agreement, (6) the Sale of Product Lines, and (7) the Entering of a replacement Supply and Support Agreement.

POWER OF ATTORNEY

The Company and each person whose signature appears below hereby appoint Manfred F. Dyck and Robert Y. Lee as attorneys-in-fact with full power of substitution, severally, to execute in the name and on behalf of the registrant and each such person, individually and in each capacity stated below, one or more amendments to the annual report which amendments may make such changes in the report as the attorney-in-fact acting deems appropriate and to file any such amendment to the report with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

HYDROMER, INC.

/s/ Manfred F. Dyck
Manfred F. Dyck
President, Principal Executive Officer,
Chairman of the Board of Directors
August 19, 2009

/s/ Robert Y. Lee
Robert Y. Lee
Chief Accounting Officer
August 19, 2009

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/s/ Manfred F. Dyck
Manfred F. Dyck
President, Principal Executive Officer,
Chairman of the Board of Directors
August 19, 2009

/s/ Ursula M. Dyck
Ursula M. Dyck
Director
August 20, 2009

/s/ Robert H. Bea
Robert H. Bea
Director
August 19, 2009

/s/ Maxwell Borow
Maxwell Borow, MD
Director
August 19, 2009

/s/ Dieter Heinemann
Dieter Heinemann
Director
August 21, 2009

/s/ Frederick L. Perl
Frederick L. Perl, MD
Director
August 19, 2009

/s/ Michael F. Ryan
Michael F. Ryan, PhD
Director
August 19, 2009

/s/ George A. Ziets
George A. Ziets
Director
August 19, 2009

INDEX TO 2009 10-K CERTIFICATIONS

Exhibit No.	Description
31.1	Certification of Manfred F. Dyck, Chief Executive Officer, pursuant to Securities Exchange Act Rule 13a-14(a).
31.2	Certification of Robert Y. Lee, Chief Financial Officer, pursuant to Securities Exchange Act Rule 13a-14(a).
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Manfred F. Dyck, Chief Executive Officer of Hydromer, Inc.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Robert Y. Lee, Chief Financial Officer of Hydromer, Inc.

EXHIBIT 31.1

HYDROMER, INC.
SARBANES-OXLEY ACT SECTION 302(a) CERTIFICATION

I, Manfred F. Dyck, certify that:

1. I have reviewed this annual report on Form 10-K of Hydromer, 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, Robert Y. Lee, and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b. Designed such internal 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 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(s) 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.

Date: September 15, 2009

By: /s/ Manfred F. Dyck
Manfred F. Dyck
Chairman and Chief Executive Officer

EXHIBIT 31.2

HYDROMER, INC.
SARBANES-OXLEY ACT SECTION 302(a) CERTIFICATION

I, Robert Y. Lee, certify that:

1. I have reviewed this annual report on Form 10-K of Hydromer, 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, Manfred F. Dyck, and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal 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 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(s) 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.

Date: September 15, 2009

By: /s/ Robert Y. Lee
Robert Y. Lee
Vice President, Chief Financial Officer

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 Annual Report of Hydromer, Inc. on Form 10-K for the fiscal year ended June 30, 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 Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Hydromer, Inc.

Date: September 15, 2009

By: /s/ Manfred F. Dyck
Manfred F. Dyck
Chairman 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 Annual Report of Hydromer, Inc. on Form 10-K for the fiscal year ended June 30, 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 Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Hydromer, Inc.

Date: September 15, 2009

By: /s/ Robert Y. Lee
Robert Y. Lee
Vice President, Chief Financial Officer

Hydromer, Inc. & Subsidiary

Consolidated Financial Statements

June 30, 2009 and 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Hydromer Inc. & Subsidiary

We have audited the accompanying consolidated balance sheets of Hydromer Inc. & Subsidiary as of June 30, 2009 and 2008, and the related statements of income, stockholders' equity, and cash flows for each of the years in the two-year period ended June 30, 2009. Hydromer Inc. & Subsidiary's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal controls over financial reporting as a basis for designing audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hydromer Inc. & Subsidiary as of June 30, 2009 and 2008, and the results of its operations and its cash flows for each of the years in the two-year period ended June 30, 2009 in conformity with accounting principles generally accepted in the United States of America.

Rosenberg Rich Baker Berman & Company

Bridgewater, New Jersey
September 17, 2009

Hydromer, Inc. & Subsidiary
Index to the Consolidated Financial Statements
June 30, 2009 and 2008

Hydromer, Inc. & Subsidiary
Consolidated Balance Sheets

	June 30, 2009	2008
Assets		

Current Assets:		
Cash and cash equivalents	$ 1,585,765	$ 108,403
Short-term investments	450,000	-
Trade receivables less allowance for doubtful accounts of $57,741 and $79,790 as of June 30, 2009 and 2008, respectively	1,058,978	1,100,388
Inventory	615,849	1,022,660
Prepaid expenses	204,280	149,726
Deferred tax asset	8,976	8,976
Other	8,968	7,147
Total Current Assets	3,932,816	2,397,300
Property and equipment, net	3,135,017	3,339,270
Deferred tax asset, non-current	521,986	620,157
Intangible Assets, net	740,426	820,858
Total Assets	$ 8,330,245	$ 7,177,585
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 380,838	$ 595,412
Short-term borrowings	-	289,973
Accrued expenses	341,088	345,480
Current portion of Capital Leases	14,473	13,095
Current portion of deferred revenue	82,132	88,051
Current portion of mortgage payable	45,696	230,160
Income tax payable	75,891	1,652
Total Current Liabilities	940,118	1,563,823
Deferred tax liability	285,858	281,398
Long-term portion of Capital Leases	50,258	65,310
Long-term portion of deferred revenue	161,019	49,461
Long-term portion of mortgage payable	2,820,055	1,647,873
Total Liabilities	4,257,308	3,607,865
Contingencies	-	-
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 June 30, 2008 and 2009	3,721,815	3,721,815
Contributed capital	633,150	633,150
Accumulated deficit	(275,888)	(779,105)
Treasury stock, 10,917 common shares at cost	(6,140)	(6,140)

Total Stockholders' Equity	4,072,937	3,569,720
Total Liabilities and Stockholders' Equity	$ 8,330,245	$ 7,177,585

See notes to the consolidated financial statements

Hydromer, Inc. & Subsidiary
Consolidated Statements of Income

	Year Ended June 30, 2009	2008
Revenues		
Sale of products	$ 4,390,321	$ 4,667,992
Service revenues	2,128,103	1,754,565
Royalties and Contract Revenues	1,233,583	1,587,767
Total Revenues	7,752,007	8,010,324
Expenses		
Cost of Sales	3,193,773	3,044,157
Operating Expenses	4,943,366	4,622,893
Other Expenses, net	223,886	152,553
Gain from Sale of Assets	(1,293,348)	-
Provision for Income Taxes	181,113	13,255
Total Expenses	7,248,790	7,832,858
Net Income	$ 503,217	$ 177,466
Earnings Per Common Share	$ 0.11	$ 0.04
Weighted Average Number of Common Shares Outstanding	4,772,318	4,748,699

There was no impact to earnings per share from dilutive securities under the treasury stock method of computing dilutive earnings per share.

See notes to the consolidated financial statements.

Hydromer, Inc. & Subsidiary
Consolidated Statements of Stockholders' Equity

	Common Stock		Contributed	Accumulated
	Shares	Amount	Capital	Deficit
	4,698,825	$ 3,643,815	$ 633,150	$ (956,571)

Balance June 30, 2007				
Exercise of Stock Options	54,410	18,000		
Stock Subscription	30,000	60,000		
Net Income				177,466
	4,783,235	$ 3,721,815	$ 633,150	$ (779,105)
Balance June 30, 2008				
Net Income				503,217
Balance June 30, 2009	4,783,235	$ 3,721,815	$ 633,150	$ (275,888)

Hydromer, Inc. & Subsidiary
Consolidated Statements of Stockholders' Equity Con't.

	Treasury Stock		
	Shares	Amount	Total
Balance June 30, 2007	10,917	$ (6,140)	$ 3,314,254
Exercise of Stock Options			18,000
Stock Subscription			60,000
Net Income			177,466
	10,917	$ (6,140)	$ 3,569,720
Balance June 30, 2008			
Net Income			503,217
Balance June 30, 2009	10,917	$ (6,140)	$ 4,072,937

See notes to the consolidated financial statements.

Hydromer, Inc. & Subsidiary
Consolidated Statements of Cash Flows

	Year Ended June 30, 2009	2008
Cash Flows From Operating Activities:		
Net Income	$ 503,217	$ 177,466
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain from the Sale of Product Lines	(1,293,348)	-
Depreciation and amortization	475,010	434,055
Impairment of Intangibles	167,252	126,420
Loss on Disposal of Fixed Assets	62,368	-
Deferred income taxes	175,631	9,013
Changes in Assets and Liabilities		

Trade receivables	41,410	21,364
Inventory	150,159	(65,949)
Prepaid expenses	(54,554)	(29,278)
Other assets	(1,821)	6,337
Accounts payable and accrued liabilities	(218,966)	45,253
Deferred revenues	105,639	42,319
Income taxes payable	1,239	(7,508)
Net Cash Provided by Operating Activities	113,236	759,492
Cash Flows From Investing Activities:		
Cash purchases of property and equipment	(163,697)	(208,801)
Cash payments on Patents and Trademarks	(319,922)	(227,102)
Sale of Product Lines	1,600,000	-
Cash purchases of short-term investments	(450,000)	-
Net Cash Provided By (Used for) Investing Activities	666,381	(435,903)
Cash Flows From Financing Activities:		
Net payments against Line of Credit	(289,973)	(224,123)
Repayment of long-term borrowings	(1,912,282)	(215,401)
New long-term borrowings	2,900,000	-
Proceeds from the issuance of common stock	-	78,000
Net Cash Provided By (Used for) Financing Activities	697,745	(361,524)
Net Increase (Decrease) in Cash and Cash Equivalents:	1,477,362	(37,935)
Cash and Cash Equivalents at Beginning of Period	108,403	146,338
Cash and Cash Equivalents at End of Period	$ 1,585,765	$ 108,403
Cash paid during the year for:		
Interest	$ 191,511	$ 169,847
Income taxes	$ 3,694	$ 9,338

See notes to the consolidated financial statements.

Hydromer, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Hydromer, Inc. & Subsidiary (the "Company") is a bio-polymer research and development company based in Branchburg, New Jersey. The Company develops polymer complexes for commercial markets in both the United States and abroad for the medical, cosmetics, animal health and industrial fields. The Company obtains patent rights on certain products from which royalty revenues are received. Its wholly owned subsidiary, Biosearch Medical Products, Inc., a U.S. based corporation, is an OEM manufacturer for various medical products companies as well as the manufacturer of its own line of endoscopic products sold to hospitals, domestically and internationally, through a network of dealers. The Company also offers R&D, engineering and contract coating services in its array of capabilities.

Principles of Consolidation

The consolidated financial statements include the accounts of Hydromer, Inc. and its wholly owned subsidiary. All significant intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents consist of investments with original maturities of three months or less.

Short-Term Investments

Short-term investments consist of investments other than cash and cash equivalents with original maturities of greater than three months and less than one year. Short-term investments as of June 30, 2009, comprising of bank CD's with interest rates ranging from 2.35% to 2.6%, were $450,000. There were no short-term investments as of June 30, 2008.

Accounts Receivables

Accounts receivable are uncollateralized, non-interest-bearing customer obligations due under normal trade terms requiring payment typically within 30 days from the invoice date, or in the case of royalties or contract payments (see Revenue Recognition), usually 45 days from the end of a calendar quarter. Trade accounts receivable are stated at the amount billed to the customer; royalties and contract revenues are estimated until reported by the licensee/contractual party. Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the oldest unpaid invoices. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects the Company's best estimate of the amounts that may not be collected. This estimate is based on reviews of all balances in excess of 90 days past due from the invoice date. Based on this assessment of current credit worthiness, the Company estimates the portion, if any, of the balance that will not be collected. Management also considers the need for additional general reserves and reviews its valuation allowance on a quarterly basis.

Fair Value Measurements

Effective July 1, 2008, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements. In February 2008, the Financial Accounting Standards Board (the "FASB") issued Staff Position ("FSP") No. 157-1 to exclude SFAS No. 13, Accounting for Leases and its related interpretive accounting pronouncements that address leasing transactions, from the scope of SFAS No. 157. In February 2008, the FASB also issued FSP No. 157-2, Effective Date of FASB Statement 157, which provides a one year deferral of the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Therefore, the Company has adopted the provision of SFAS No. 157 with respect to its financial assets and liabilities only. For the portion of SFAS No. 157 that has been deferred, the Company is currently evaluating the effects that SFAS No. 157 will have on its financial statements. SFAS No. 157 defines fair value, establishes a

framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under SFAS No. 157 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or the most advantageous market for an asset or liability in an orderly transaction between participants on the measurement date. Valuation techniques used to measure fair value under SFAS No. 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on the levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or corroborated by observable market data or substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the value of the assets or liabilities

Effective July 1, 2008, the Company could have adopted SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for specified financial assets and liabilities on a contract-by contract basis. The Company did not elect to adopt the fair value option under this pronouncement.

Inventories

Inventories are valued at the lower of cost, determined by the first-in, first-out method, or market and include appropriate amounts of labor and overhead.

Depreciation

The cost of property and equipment, which includes a reasonable portion of labor costs for equipment built in-house, is depreciated on a straight-line method over the estimated useful lives of the assets: 5-10 years for machinery and equipment, 3-5 years for furniture and office equipment and 40 years for the building. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred.

Patents

Registration and maintenance costs associated with the filing and registration of patents are prepaid and amortized over its remaining life of the patent, not to exceed 20 years. Costs associated with patents which are not approved or abandoned are expensed in the period in which such patents are not approved or abandoned. The annual maintenance fees associated with existing patents are expensed off over 12 months and are included in Prepaid Expenses. The Research and Development costs associated with the patented technology are expensed as incurred and are not capitalized.

Long-Lived Assets

The Company assesses long-lived assets for impairment as required under SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. The Company reviews for impairment whenever events or circumstances indicate that the carrying amount of these assets may not be recoverable. The Company assesses these assets for impairment based on estimated future cash flows from these assets.

Revenue Recognition

Revenues from product and services sales are recognized at the time of shipment or services rendered provided that collection of the resulting receivable is probable. Revenues from royalties are recognized upon the sale of certain products by licensees with whom the Company has licensing agreements. Contract Revenues, which includes payments from Stand Still, Supply or Support agreements that are typically based on time frames, are recognized in the periods to which it pertains. Deferred revenues are recorded when agreements call for payment ahead of when the amounts are earned.

Shipping and Handling Charges

The Company includes costs of shipping and handling billed to customers in Revenues and the related expense of shipping and handling costs in Cost of Sales.

Advertising

Advertising costs are expensed as incurred except for tangible assets, such as printed advertising materials, which are expensed as consumed. Advertising expense was $50,519 and $16,804 for the years ended June 30, 2009 and 2008, respectively, higher during fiscal 2009 due to the promotion of the Company's new T-HEXX Animal Health products, including that of exhibiting at an additional trade show.

Research and Development

Research and development costs, primarily employee salaries and benefits, are charged to operations when incurred and are included in operating expenses. The amounts charged to expense for the years ended June 30, 2009 and 2008 were approximately $883,616 and $790,006, respectively.

Stock Based Compensation

The Company accounts for stock and stock options issued for services and compensation to employees under SFAS No. 123(r). For non-employees, the fair market value of the Company's stock on the date of stock issuance or option/grant is used. The Company determined the fair market value of the options issued under the Black-Scholes Pricing Model. Under the provisions of SFAS No. 123(r), share-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity grant). There were no such stock option grants issued during the years ended June 30, 2009 and June 30, 2008.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of assets and liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future federal and state income taxes. Any interest charges on underpayment or other assessments are recorded as interest expense. Any penalties are recorded in Operating Expenses.

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes - an interpretation of SFAS No. 109. The implementation of FIN 48 had no impact on the Company's financial statements as the Company has not recognized any uncertain income tax.

Earnings Per Share

Earnings per share, in accordance with the provisions of SFAS No. 128, Earnings Per Share, is computed by dividing net income by the weighted average number of common stock shares outstanding during the period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at 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.

Reclassification

Certain amounts previously reported have been reclassified to conform to the 2009 presentation.

2. CONCENTRATION OF CREDIT AND BUSINESS RISK

The Company is exposed to additional credit and business risks due to its concentration of activity with certain parties. For example, at times throughout the year, the Company may maintain certain bank accounts in excess of FDIC insured limits.

In addition, the Company provides credit in the normal course of business to customers. Ongoing credit evaluations of its customers are performed, and allowances for doubtful accounts are based on factors surrounding the credit risk of specific customers, historical trends and other information.

For the year ended June 30, 2009, the Company collected Contract Revenues totaling 10% of its total revenues from one customer, Cordis Neurovascular Systems. The outstanding accounts receivable from Cordis Neurovascular at June 30, 2009 was $35,000.

During the fiscal year ended June 30, 2008, Cordis Neurovascular Systems accounted for 15% of the Company's total revenues. There was no outstanding accounts receivable from Cordis Neurovascular at June 30, 2008.

3. FAIR VALUE

In accordance with SFAS No. 157, 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 June 30, 2009:

	Level 1	Level 2	Level 3	Total
Assets				
Investments	$ 450,000			$ 450,000
Total Assets	$ 450,000	-	-	$ 450,000
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.

4. INVENTORY

Inventory consists of:

	June 30, 2009	2008
Finished goods	$ 97,746	$ 349,581
Work in process	246,002	277,847
Raw materials	272,101	395,232
	$ 615,849	$ 1,022,660

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	June 30, 2009	2008
Land	$ 472,410	$ 472,410
Building	2,223,011	2,188,603
Machinery and equipment	3,968,307	4,188,868
Equipment under capital leases	87,120	87,120
Furniture and fixtures	552,228	552,143
	7,303,076	7,489,144
Less: Accumulated depreciation and amortization	(4,152,299)	(4,144,573)
Accumulated depreciation on capital leases	(15,760)	(5,301)
Property and Equipment, net	$ 3,135,017	$ 3,339,270

Depreciation expense, including that on assets under capitalized leases, charged to operations, was $241,908 and $243,928 for the years ended June 30, 2009 and 2008, respectively. During the year ended June 30, 2009, approximately $263,000 in equipment (approximately $213,000 in accumulated depreciation) was sold as part of the product lines sold to Merit Medical Systems, Inc (see Footnote 14). In addition, approximately $62,000 of equipment was abandoned in the same year.

6. INTANGIBLE ASSETS

Intangible Assets, including prepaid Patent Costs included in Prepaid Expenses, are comprised of the following:

	June 30, 2009	2008
Patents	$ 1,255,486	$ 1,288,870
Trademarks	21,860	78,502
Less: Accumulated amortization	(465,333)	(497,821)
Intangible Assets, net	$ 812,013	$ 869,551

During the years ended June 30, 2009 and June 30, 2008, $167,252 and $126,420, respectively of Patent Costs were deemed impaired and charged off to Operating Expenses as the discounted future cash flows relating to these patents were deemed below that of its carrying value. For some of the patents, the Company continues to maintain and support the patents despite their carrying value having been written off. In addition, during the year of June 30, 2009, $72,955 of fully amortized trademark costs have been written off as the periods to which it covers have expired.

Future amortization of the Intangible Assets, as of June 30, 2009, are as follows:

Year ending June 30,	
2010	$ 119,059
2011	76,796
2012	76,116
2013	75,241
2014	70,407
Thereafter	394,394
	$ 812,013

Amortization expense for the years ended June 30, 2009 and 2008 were $233,102 and $190,765, respectively.

7. LEASES

The Company acquired equipment under long-term leases. For financial reporting purposes, the present value of the minimum lease payments has been capitalized.

Future payments under these capital lease arrangements, which includes $17,727 in finance charges, are as follows:

Year ending June 30,	
2010	$ 20,506
2011	20,506
2012	20,506
2013	17,777
	$ 79,295

8. LONG-TERM DEBT AND CREDIT FACILITY

As of June 30, 2009, the Company's facility was financed by a twenty-five year mortgage note bearing a five year fixed interest rate of 6.75%, and then reset every five years at 2.75% over the then New York Federal Home Loan Bank 5/20 Amortizing Advance Rate. The mortgage is secured by the real estate and improvements, and all rents from leases subsequently entered into, amortized

with monthly payments. As of June 30, 2009, the book value of the real estate and improvements was $2,238,567. An appraisal was conducted in July 2008 reflected a market value of $4,250,000.

The mortgage, for $2,900,000, refinanced two ten-year mortgages and provided for an additional $1.1 million in cash for use in repaying its maturing Line-of-Credit facility and as additional working capital.

The Company's revolving line of credit agreement, which as of June 30, 2008, allowed for borrowings of up to its limit of $525,000. The line was secured by all trade receivables and inventories bearing interest, payable monthly, at LIBOR plus 3.75%. The line matured on September 30, 2008 and was repaid and closed out using proceeds from the $2.9 million mortgage refinance. The outstanding balance of the line of credit was $289,973 on June 30, 2008.

Long-term debt is comprised of the following:

	June 30, 2009	June 30, 2008
Mortgage note	$ 2,865,751	$ 338,720
Second Mortgage Loan	-	1,539,313
Less: Current Maturities	(45,696)	(230,160)
Long-term Debt, Net of Current Maturities	$ 2,820,055	$ 1,647,873

Maturities of the long-term debt are as follows:

Year ending June 30,	As of June 30, 2009
2010	$ 45,696
2011	48,800
2012	51,720
2013	55,899
2014	59,847
Thereafter	2,603,789
	$ 2,865,751

As of June 30, 2009, the Company was in compliance with the loan covenants of its mortgage.

9. INCOME TAXES

The income tax provision (benefit) is comprised of the following:

	Federal	State	Total
Year Ended June 30, 2009			
Current	$ 59,540	$ 16,351	$ 75,891
Deferred	194,000	(88,778)	105,222
	$ 253,540	$ (72,427)	$ 181,113
Year Ended June 30, 2008			
Current	$ -	$ 4,160	$ 4,160
Deferred	(23,123)	32,218	9,095
	$ (23,123)	$ 36,378	$ 13,255

The Company's deferred tax asset and liability as presented in the Company's financial statements are comprised of the following:

	June 30, 2009	June 30, 2008
Deferred Tax Asset		
Net Operating Losses	$ 225,749	$ 219,700
Adjustment of Goodwill	196,069	196,069
Research & Development Credits	405,213	520,970
Valuation allowance	(296,069)	(307,606)
Total Deferred Tax Assets	530,962	629,133
Deferred Tax Liability		
Depreciation	(285,858)	(281,398)
Total Deferred Tax Liability	$ (285,858)	$ (281,398)

Deferred taxes are recognized for temporary differences between the bases of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to depreciable assets (using accelerated depreciation methods for income tax purposes). The Company's adjustment to Goodwill in 2004 and 2006 created a deferred tax asset, which although has an indefinite life, has been fully reserved for as realization of its benefit is unlikely.

The Company has net operating loss carry forwards of approximately $244,155 and $1,585,958 for Federal and State tax purposes respectively. These net operating loss carry forwards may be used to reduce federal and state taxable income and tax liabilities in future years and expire in various years through June 30, 2028 and June 30, 2016 for Federal and State tax purposes, respectively. In addition, the Company has Research and Development Tax Credits of approximately $234,063 and $171,150 for Federal and State tax purposes, respectively, which expires in various years through June 30, 2029 and June 30, 2016, respectively.

The Company's provision for income taxes differs from applying the statutory

U.S. federal income tax rate to the income before income taxes. The primary differences result from providing for state income taxes, generation of allowable tax credits and from deducting certain expenses for financial statement purposes but not for federal income tax purposes.

A reconciliation between taxes computed at the federal statutory rate and the consolidated effective tax rate follows:

	June 30, 2009	June 30, 2008
Federal statutory tax rate	34.0 %	34.0 %
State income tax - net of federal tax benefit	(0.8)	13.9
R & D credits	(4.5)	(71.6)
Adjustment in valuation allowance	-	20.2
Permanent and other differences	(2.2)	10.5
	26.5 %	7.0 %

10. STOCK OPTIONS AND AWARDS

On February 22, 2000 the Board of Directors approved an option plan that granted each director 2,000 fully vested options for each meeting attended, awarded at the annual meeting at the 5-day market price average.

Open options under this plan awarded to the Board of Directors are as follows:

Issuance Date	Options Issued	Exercise Price	Expiration Date	Options Exercised
Nov 17, 2004	56,000	$2.10	Nov 17, 2009	-
Nov 16, 2005	62,000	$0.95	Nov 16, 2010	-
Nov 15, 2006	50,000	$1.18	Nov 15, 2011	-

During the 2008 fiscal year, 15,000 fully vested five year options, at a $3.00 exercise price, were granted as part of a Stock Subscription.

There were no other stock option issuances during the 2008 or 2009 fiscal year.

A summary of activity under the plan for the years ending June 30, 2008 and 2009 are as follows:

	Common Stock Options Outstanding	
		Weighted Average

	Shares	Exercise Price
Balance, June 30, 2007	290,000	$ 1.12
Granted under Stock Subscription	15,000	3.00
Exercised	(60,000)	0.45
Cancelled	(10,000)	0.45
Balance, June 30, 2008	235,000	$ 1.44
Cancelled	(52,000)	1.10
Balance, June 30, 2009	183,000	$ 1.53

The intrinsic value of the options exercised during the fiscal year ended June 30, 2008 was $60,000.

Following is a summary of the status of options outstanding as of June 30, 2009:

	Outstanding Options			Exercisable Options	
Exercise Price Range	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
$0.95 - $1.45	112,000	1.8 years	$1.05	112,000	$1.05
$1.46 - $2.48	56,000	0.4 years	$2.10	56,000	$2.10
$2.49 - $3.00	15,000	3.1 years	$3.00	15,000	$3.00
	183,000	1.5 years	$1.53	183,000	$1.53

As the stock price of the Company's stock on June 30, 2009 was higher than the exercise prices of the outstanding and exercisable options, there was no intrinsic value of the options.

11. RETIREMENT PLAN

The Company sponsors a qualified 401(k) plan covering substantially all full time employees under which eligible employees can defer a portion of their annual compensation. The Company determines annually, the amount of matching contributions, which previously was 25% on 6% of the employees' salary. There were no Company matching contribution made to the plan during the fiscal years ended June 30, 2008 or June 30, 2009.

12. INDUSTRY SEGMENT INFORMATION

The Company operates two primary business segments: (1) Polymer Research and (2) Medical Products.

Products included in the polymer research segment are Aquadapt(R), Aquamere(R), Aquatrix(R), Dermaseal(R), Hydromer(R) Anti-Fog/Condensation Control Coatings, Hydromer(R) Lubricious Coatings, Sea-Slide(R) and T-HEXX(R) Barrier Dips and Sprays. Research and Development services and all of the Company's royalties and contract revenues are reported in this segment.

The medical products segment includes an OEM product line of bipolar coagulation probes, placement catheters, bilary stents, jejunal and enteral feeding accessories, guidewires, biofeedback devices for fecal and urinary incontinence and other endoscopic accessories. The bipolar coagulation probes and bilary stents product lines were sold in fiscal 2009. During the transition period while the acquirer establishes their production lines, the Company continues to manufacture these products for their behalf at a pre-determined transfer price. Service revenues, including coating services and engineering services, are included in this segment.

Due to the multitude of products offered and the product gross margins, the Company does not track sales contribution by products.

The Company operates globally in its segments with several large customers that are important to their operating results. One such customer accounted for 14% and 20% of the polymer research segment sales for the 2009 and 2008 fiscal years, respectively. For the medical products segment, the top three customers accounted for 65% and 66% of that segment's 2009 and 2008 sales, respectively.

The Company evaluates the segments by revenues, total expenses and earnings before income taxes. The Company's assets are not reviewed by business segment. The accounting policies of these segments are described in the summary of significant accounting policies.

Corporate Overhead, primarily the salaries and fringes of senior management, support services (Accounting, Legal, Human Resources and Purchasing) and other shared services (Building maintenance and warehousing), is reflected separately from the results of the business segments in the following:

	Polymer Research	Medical Products	Corporate Overhead	Total
Year Ended June 30, 2009				
Revenue	$ 4,405,662	$ 3,346,345		$ 7,752,007
Expenses	(3,596,822)	(1,887,180)	$ (1,583,675)	(7,067,677)
Earnings (Loss) before Income Taxes	$ 808,840	$ 1,459,165	$ (1,583,675)	$ 684,330
Year Ended June 30, 2008				
Revenue	$ 4,399,344	$ 3,610,980		$ 8,010,324
Expenses	(3,262,739)	(3,053,191)	$ (1,503,673)	(7,819,603)
Earnings (Loss) before Income Taxes	$ 1,136,605	$ 557,789	$ (1,503,673)	$ 190,721

Included under the Polymer Research segment was the non-cash impairment of intangible assets of $167,252 and $126,420 for fiscal 2009 and 2008, respectively.

Included under the Medical Products segment was the sale of product lines for $1,600,000 (reducing expenses) in fiscal 2009.

Geographic revenues were as follows for the years ended June 30,

	2009	2008
Domestic	83%	81%
Foreign	17%	19%

13. EARNINGS PER SHARE

The following table sets forth the computation of earnings per share:

	2009	2008
Numerator:		
Net income	$ 503,217	$ 177,466
Denominator:		
Denominator for basic earnings per share - weighted average shares outstanding	4,772,318	4,748,699
Effect of dilutive securities - Stock Options	-	18,083
Denominator for dilutive earnings per share under the treasury stock method - weighted average shares outstanding	4,772,318	4,766,782
Basic Earnings per share	$ 0.11	$ 0.04
Dilutive Earnings per share	$ 0.11	$ 0.04

Common stock equivalents for the year ended June 30, 2009 was not included in computing diluted earnings per share as their effect would have been anti-dilutive.

14. SALE OF PRODUCT LINES

On February 20, 2009, Biosearch Medical Products, Inc. ("BMPI") sold the Endoscopic Bipolar Coagulation probe and Biliary Stent business to Merit Medical Systems, Inc ("Merit") for $1,600,000 in cash. The sale included inventory and equipment related to that business and also calls for the assignment of existing BMPI/customer supply agreements to Merit and a seven year non-compete provision.

A separate supply agreement for Hydromer(R) hydrophilic coating solution used on those products was also entered between the parties. Until the earlier of when Merit is ready to independently manufacture the products or September 30, 2009, the Company will continue manufacturing the products solely for Merit, at an agreed upon transfer price. The product lines sold were part of the "Medical Products" segment (see Footnote 12) in which operations and cash flows could not be broken down further. Hence, along with the continued manufacturing for Merit, this transaction does not meet the criteria of discontinued operations in accordance with paragraphs 41-44 of SFAS No. 144. The gain on sale of the product lines is reflected separately on the Consolidated Statement of Income.

15. CONTINGENCIES

Royalty revenues and support fees recorded by the Company are based on the sales of products as reported by the Company's customers, which has the risk of being under- or over-reported. To minimize such risks, the Company's management utilizes its knowledge and understanding of the customer's business, the market and other pertinent factors in assessing the validity of reported royalties or support fees. In addition, the Company may have a right to audit the amounts reported.

The Company has not received any claims by its customers for possible overpayment of royalties or support fees.

INDEX TO EXHIBITS

3.a Certificate of Incorporation of the Company, as amended to date

3.b By-Laws of the Company, as amended to date

10.a Minutes of Meeting of the Board of Directors of the Company held on March 5, 1981 with respect to stock options granted to Manfred F. Dyck (Incorporated by reference to Exhibit 10.i to the Registration Statement).

10.b Agreement dated August 11, 1981 between Horizon Concepts, Inc., and the Company (Incorporated by reference to Exhibit 10.c to the Registration Statement).

10.c Agreement dated January 27, 1982 between Reliable Pharmaceutical Company, Inc. and the Company (Incorporated by reference to Exhibit 10.d to the Registration Statement).

10.d License Agreement dated July 14, 1982 between Biosearch Medical Products Inc. and the Company (Incorporated by reference to Exhibit 10.g to the Registration Statement).

10.e Management Services Agreement dated July 14, 1982 between Biosearch Medical Products Inc. and the Company (Incorporated by reference to Exhibit 10.h to the Registration Statement).

10.f Amendment dated October 7, 1982 to Agreement dated January 27, 1982 between Reliable Pharmaceutical Company, Inc. and the Company, together with letter dated October 14, 1982 from Reliable Pharmaceutical Company, Inc. to the Company (Incorporated by reference to Exhibit 10.f to the 1983 Annual Report).

10.g Hydromer Coating agreement dated February 11, 1983 between Pacesetter Systems, Inc. and the Company (Incorporated by reference to Exhibit 10.g to the 1983 Annual Report).

10.h Lease Agreement dated April 5, 1983 between Salem Realty and the Company (Incorporated by reference to Exhibit 10.h to the 1983 Annual Report).

10.i License Agreement dated April 25, 1983 between CardioSearch Inc. and the Company (Incorporated by reference to Exhibit 10.i to the 1983 Annual Report).

10.j Trademark License Agreement dated April 25, 1983 between CardioSearch Inc. and the Company (Incorporated by reference to Exhibit 10.j to the 1983 Annual Report).

10.k Agreement dated August 31, 1983 between Becton, Dickinson & Company and the Company (Incorporated by reference to Exhibit 10.l to the 1983 Annual Report).

10.l Current Report on Form 8-K filed May 30, 1986

10.m Hydromer Coating License Agreement dated September 30, 1984 between Axiom Medical, Inc. and the Company (Incorporated by reference to Exhibit 10.m to the 1984 Annual Report).

10.n 1982 Stock Option Plan of the Company (Incorporated by reference to Exhibit 10.m to the 1983 Annual Report).

10.o Amendment dated June 26, 1984 to Agreement dated August 3, 1983 between Becton, Dickinson & Company and the Company (Incorporated by reference to Exhibit 10.o to the 1984 Annual Report).

10.p License Agreement dated July 31, 1984 between Kendall Company and the Company (Incorporated by reference to Exhibit 10.p to the 1984 Annual Report).

10.q License Agreement dated March 1, 1985 between Van-Tec Inc. and the Company and Letter of Amendment thereto dated June 13, 1985 (Incorporated by reference to Exhibit 10.o to the 1985 Annual Report).

10.r Telex dated June 24, 1985 terminating License Agreement with CardioSearch Inc. (Incorporated by reference to Exhibit 10.p to the 1984 Annual Report).

10.s Amendment dated as of December 31, 1984 to Management Services Agreement dated July 14, 1982 between Biosearch Medical Products Inc. and the Company (Incorporated by reference to Exhibit 10.q to the 1985 Annual Report).

10.t Lease Renewal Agreement dated April 15, 1985 between Salem Realty and the Company (Incorporated by reference to Exhibit 10.r to the 1985 Annual Report).

10.u Lease Agreement dated December 4, 1984 between Biosearch Medical Products Inc. and the Company (Incorporated by reference to Exhibit 10.s to the 1985 Annual Report).

10.v License Agreement dated April 11, 1986 between Axiom Medical, Inc. and the Company (Incorporated by reference to Exhibit 10.i to the 1986 Annual Report).

10.w License Agreement dated September 13, 1985 between U.S. Viggo and the Company (Incorporated by reference to Exhibit 10.c to the 1986 Annual Report).

10.x License Agreement dated March 27, 1986 between Wilkinson Sword Limited and the Company (Incorporated by reference to Exhibit 10.f of the 1986 Annual Report).

10.y Lease Renewal Agreement dated April 15, 1987 between Salem Realty and the Company (Incorporated by reference to Exhibit 10.y to the 1987 Annual Report).

10.z License Agreement dated April 30, 1986 between HPK International and the Company (Incorporated by reference to Exhibit 10.j to the 1986 Annual Report).

10.aa License Agreement dated August 1, 1986 between Film Specialties, Inc. and the Company (Incorporated by reference to Exhibit 10.aa to the 1987 Annual Report).

10.ab Lease Renewal Agreement dated April 15, 1988 between Salem Realty and the Company (Incorporated by reference to Exhibit 10.ab to the 1988 Annual Report).

10.ac License Agreement dated June 30, 1987 between Richards Medical

Company and the Company (Incorporated by reference to Exhibit 10.ac to the 1988 Annual Report).

10.ad License Agreement dated December 1, 1987 between Mallinckrodt, Inc. and the Company (Incorporated by reference to Exhibit 10.ad to the 1988 Annual Report).

10.ae Option Agreement dated January 28, 1988 between Cordis Corporation and the Company (Incorporated by reference to Exhibit 10.ae to the 1988 Annual Report).

10.af Lease Agreement dated April 15, 1988 between Biosearch Medical Products Inc. and the Company (Incorporated by reference to Exhibit 10.ag of the 1988 Annual Report).

10.ag Letters dated June 11, 1987 and September 22, 1987 to U.S. Viggo, Inc. modifying License Agreement dated September 13, 1985, to cover only central venous catheters (Incorporated by reference to Exhibit 10.ag to the 1988 Annual Report).

10.ah Lease Renewal Agreement dated April 15, 1989 between Salem Realty and the Company (Incorporated by reference to Exhibit 10.ah to the 1989 Annual Report).

10.ai Amendment dated October 1, 1988 to License Agreement dated September 13, 1985, between U.S. Viggo and the Company (Incorporated by reference to Exhibit 10.ai to the 1989 Annual Report).

10.aj License Agreement dated October 20, 1988 between Cordis Corp. and the Company (Incorporated by reference to Exhibit 10.aj to the 1989 Annual Report).

10.ak License Agreement dated March 31, 1989 between Cathlab Corp. and the Company (Incorporated by reference to Exhibit 10.ak to the 1989 Annual Report).

10.al Amendment dated December 1, 1988 to License Agreement dated August 1, 1986 between Film Specialties, Inc. and the Company (Incorporated by reference to Exhibit 10.al to the 1989 Annual Report).

10.am Finders Agreement dated August 20, 1987 between Phoenix Chemical, Inc. and the Company (Incorporated by reference to Exhibit 10.am to the 1989 Annual Report).

10.an License Agreement dated September 10, 1989 between the Stent Division of Schneider and the Company (Incorporated by reference to Exhibit 10.an to the 1990 Annual Report).

10.ao License Agreement dated March 30, 1990 between Cosmo Ikko Company and the Company (Incorporated by reference to Exhibit 10.ao to the 1990 Annual Report).

10.ap License Agreement dated April 12, 1990 between Interventional Therapeutics, Inc. and the Company and amendment dated May 7, 1990 to the Agreement dated April 12, 1990 between Interventional Therapeutics, Inc. and the Company (Incorporated by reference to Exhibit 10.ap to the 1990 Annual Report).

10.aq Amended License Agreement dated January 1, 1990 between the Wilkinson Sword group of companies and the Company (Incorporated by reference to Exhibit 10.aq the 1990 Annual Report).

10.ar Lease Agreement dated April 15, 1990 between Salem Realty and the

Company (Incorporated by reference to Exhibit 10.ar to the 1990 Annual Report).

10.as Amendment to the Agreement dated July 31, 1984 between Kendall Company and the Company (Incorporated by reference to Exhibit 10.as to the 1990 Annual Report).

10.at License Agreement dated January 11, 1991 between Biosearch Medical Products Inc. and the Company (Incorporated by reference to Exhibit 10.at to the 1991 Annual Report).

10.au License Agreement dated May 16, 1991 between I E Sensors and the Company (Incorporated by reference to Exhibit 10.au to the 1991 Annual Report).

10.av Lease Renewal Agreement dated April 15, 1991 between Salem Realty and The Company (Incorporated by reference to Exhibit 10.av to the 1991 Annual Report).

10.aw License Agreement dated July 25, 1991 between Johnson & Johnson Orthopaedics and the Company (Incorporated by reference to Exhibit 10.aw to the 1992 Annual Report).

10.ax License Agreement dated August 19, 1991 between Navarre Laboratories Ltd. and the Company (Incorporated by reference to Exhibit 10.ax to the 1992 Annual Report).

10.ay Amended License Agreement dated September 15, 1991 between Boston Scientific Corp. and the Company (Incorporated by reference to Exhibit 10.ay to the 1992 Annual Report).

10.az Option/License Agreement dated September 23, 1991 between Elan Corp. PLC and the Company (Incorporated by reference to Exhibit 10.az to the 1992 Annual Report).

10.ba Lease Agreement dated November 1, 1991 between Morton Street Realty and the Company (Incorporated by reference to Exhibit 10.ba to the 1992 Annual Report).

10.bb License Agreement dated August 17, 1992 between SCIMED Peripheral Interventions, division of SCIMED Life Systems, Inc. and the Company. (Incorporated by reference to Exhibit 10.bb to the 1993 Annual Report).

10.bc License Agreement dated March 9, 1993 between Arrow International, Inc. and the Company. (Incorporated by reference to Exhibit 10.bc to the 1993 Annual Report).

10.bd License Agreement dated April 28, 1993 between St. Jude Medical, Inc. and the Company. (Incorporated by reference to Exhibit 10.bd to the 1993 Annual Report).

10.be License Agreement dated November 11, 1993 between Katoh Hatsujyo Kaisha, Ltd. and the Company. (Incorporated by reference to Exhibit 10.be to the 1994 Annual Report).

10.bf Lease Agreement dated June 9, 1995 between Salem Realty and the Company (Incorporated by reference to Exhibit 10.bf to the 1995 Annual Report).

10.bg Amendment dated September 20, 1995 to License Agreement dated April 28, 1993 between St. Jude Medical, Inc. and the Company. (Incorporated by reference to Exhibit 10.bg to the 1996 Annual Report).

10.bh License Agreement dated April 12, 1990 between Interventional Therapeutics and the Company was terminated effective December 22, 1995.

(Incorporated by reference to Exhibit 10.bh to the 1996 Annual Report).

10.bi License Agreement dated May 16, 1991 between I E Sensors and the Company was terminated effective December 31, 1995. (Incorporated by reference to Exhibit 10.bi to the 1996 Annual Report).

10.bj Consented to the assignment of license agreement dated April 28, 1993 between St. Jude Medical, Inc. and the Company to CR Bard dated January 18, 1996. (Incorporated by reference to Exhibit 10.bj to the 1996 Annual Report).

10.bk License Agreement dated April 30, 1986 between HPK International and the Company was terminated effective February 19, 1996. (Incorporated by reference to Exhibit 10.bk to the 1996 Annual Report).

10.bl License Agreement dated June 6, 1996 between Biosearch Medical Products Inc. and the Company. (Incorporated by reference to Exhibit 10.bl to the 1996 Annual Report).

10.bm License Agreement dated August 1, 1996 between Biosearch Medical Products Inc. and the Company.

10.bn Amended License Agreement dated September 4, 1996 between SCIMED (Boston Scientific Corporation) and the Company.

10.bo License Agreement dated January 6, 1997 between Sherwood Davis & Geck and the Company.

10.bp Use permit for certain designated area dated May 4, 1997 between Biosearch Medical Products Inc. and the Company

10.bq Contract of sale between Biosearch Medical Products and the Company for the sale of 35 Industrial Parkway dated 3/31/98

10.br Note and mortgage with PNC Bank dated 6/12/98

10.bs 3 year lease agreement with Biosearch Medical Products dated 6/12/98 for 35 Industrial Parkway

10.bt License of technology, supply and stock purchase agreement with C.R.Bard dated 2/25/99

10.bu Trademark and technology license agreement with AST dated 3/9/99

10.bv License of two gel patents from Ridge Scientific dated 11/1/98

10.bw License and Supply agreement with Gallini SRL dated 6/28/00

10.bx Standstill agreement with license option with IMED Pharma Inc. dated 3/30/00

10.by License of technology with Symbiotech Medical Inc. dated 3/28/00

10.bz License and supply agreement with TP Orthodontics Inc. dated 3/30/00

10.ca License Agreement dated July 1, 2000 between Becton Dickinson and Company, Inc. and the Company.

10.cb License Agreement dated January 1, 2001 between LHS Limited and LHS Holding Limited, English dba KLEENCARE and the Company.

10.cc License Agreement dated April 17, 2001 between Tyco Healthcare

Group LP and the Company.

10.cd Construction Contract dated April 19, 2001 between REDCO Engineering & Construction Corp and the Company.

10.ce Service Agreement dated April 23, 2001 between Tyco Healthcare Group LP and the Company.

10.cf Loan Agreement dated June 7, 2001 between New Millenium Bank and the Company.

10.cg By-Laws Articles of Incorporation.

10.ch Loan Agreement dated June 30, 2005 between Wachovia Bank, N.A. and the Company.

24. Power of Attorney (see "Power of Attorney" in the Annual Report on Form 10-K).

31.1 Certification of Manfred F. Dyck, Chief Executive Officer, pursuant to Securities Exchange Act Rule 13a-14(a).

31.2 Certification of Robert Y. Lee, Chief Financial Officer, pursuant to Securities Exchange Act Rule 13a-14(a).

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Manfred F. Dyck, Chief Executive Officer of Hydromer, Inc.

32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Robert Y. Lee, Chief Financial Officer of Hydromer, Inc.

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