

Edgar Filing: HYDROMER INC - Form 10-K

HYDROMER INC  
Form 10-K  
October 12, 2010

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, 2010

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 15, 2010 was approximately \$1,251,322.

The number of shares of Registrant's Common Stock outstanding on September 15, 2010 was 4,772,318.

Portions of the Audited Financials Statements for the year ended June 30, 2010 are incorporated by reference in Part II of this report. Portions of the Proxy Statement of Registrant dated September 24, 2010 are incorporated by reference in Part III of this report.

## Edgar Filing: HYDROMER INC - Form 10-K

### FORWARD-LOOKING STATEMENTS

This Form 10-K report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include, among other things, business strategy and expectations concerning industry conditions, market position, future operations, margins, profitability, liquidity and capital resources. Forward-looking statements generally can be identified by the use of terminology such as "may," "will," "expect," "intend," "estimate," "anticipate" or "believe" or similar expressions or the negatives thereof. These expectations are based on management's assumptions and current beliefs based on currently available information. Although the Company believes that the expectations reflected in such statements are reasonable, it can give no assurance that such expectations will be correct. You are cautioned not to place undue reliance on

1

these forward-looking statements, which speak only as of the date of this report on Form 10-K and the Company does not have any obligation to update the forward looking statements. The Company's operations are subject to a number of uncertainties, risks and other influences, many of which are outside its control, and any one of which, or a combination of which, could cause its actual results of operations to differ materially from the forward-looking statements.

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

## Edgar Filing: HYDROMER INC - Form 10-K

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 AQUAMERE(R), a cosmetic intermediate with water resistant film forming properties; AQUATRIX(R), a cosmetic hydrogel; Dermaseal(R), a dermal barrier film product for the prevention of contact dermatitis; DRAGONHYDE(R), a hoof bath concentrate; Sea-Slide(R), a coating for watercraft hulls; and T-HEXX(R), a barrier teat dip product group 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 was able to offer a horizontally integrated breadth of services including medical device manufacturing, contract coating, equipment building and design, and R&D servicing. However, in 2009, the Company sold most of its OEM medical device product lines in order to focus on its coatings technologies, effectively exiting the OEM medical device manufacturing business.

The Company's coatings technologies includes its hydrophilic lubricious coatings, biostatic/anti-microbial coatings, cell anti-mitosis and anti-thrombogenic coatings and more recently, cell adhesion promoting coatings. During the fiscal year ending June 30, 2009, the Company launched two new coatings: a cell adhesion promoting coating and our third generation anti-microbial coating.

HYDROMER Coatings: Lubricious / Anti-microbial / Anti-thrombogenic / Cell mitosis / Cell Adhesion

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.

2

Drugs and other substances can be readily incorporated into Hydromer, both in a bound and unbound 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,

## Edgar Filing: HYDROMER INC - Form 10-K

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, but better epithelization.

The Company recently entered into a Research and License Agreement on its new Cell Adhesion coating. It is being evaluated for use on cardiovascular absorbable devices.

### Stand-still and License/Supply and Support Agreements

A portion of the Company's revenues is derived from stand-still and license agreements. 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 or supply and support 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 or support fees based on sales.

The Company has previously reported license or support 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 2009 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, 2010, the Company has supply and support agreements with 27 companies covering the application or availability of Hydromer coatings to the following devices:

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

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

## Edgar Filing: HYDROMER INC - Form 10-K

Hydrogels, Drug Delivery, Wound Dressing

Applications of the Company's Hydrogels are being developed for wound care, implants, drug delivery, burn care, ultrasonic couplants and cosmetic uses for several customers. The Company is also identifying strategic partners to offer

3

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 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.

The Company has 510K notices to the FDA on its hydrophilic polyurethane foam technology for medical use applications in the U.S. as well as a patent on its chitosan-PVP hydrogel technology.

Following two years of development and human clinical studies, it is expected that one of the Company's Hydrogel technologies will soon be ready for market. It currently is in the final stages of FDA review.

### OEM Medical Devices

Until the sales of various medical device product lines in fiscal 2009 and 2010, the Company offered 510K/CE marked medical devices through its ISO 13485:2003 certified and FDA registered Biosearch Medical Products subsidiary. The Company also previously contract manufactured products for several large multi-national marketers of medical devices on an OEM basis. Most recently, the Company produced 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 bipolar coagulation probe and biliary stent product lines were sold to Merit Medical System, Inc. in 2009, and in 2010, the Company completed the transition period of its sales of the Jejunostomy Catheter and Nasogastric Feeding Catheter business to Forefront Medical Technology (PTE) Ltd. Currently remaining is its biofeedback business.

### 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 customers are using this service in the urology, cardiology and neurovascular markets.

## Edgar Filing: HYDROMER INC - Form 10-K

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.

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.

4

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 the 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 were marketed through HammerHead Products, Inc. until 2010 when the Company re-attained its distribution rights back.

### 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.

## Edgar Filing: HYDROMER INC - Form 10-K

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.

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, and worldwide an estimated \$5 billion. Barrier Dips and Sprays utilizing T-HEXX technology offered 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 inner 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 on contact while continuing to remain active up to 12 hours. They 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

5

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 do 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 of 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.



## Edgar Filing: HYDROMER INC - Form 10-K

During fiscal 2010, the Company launched T-HEXX DRY Naturel(TM) External Teat Sealant, a triclosan free external teat sealant for dry cows, Sani-Spray(TM) non-barrier dips and sprays and DRAGONHYDE(R) Hoof Bath Concentrate ("DRAGONHYDE HBC"). DRAGONHYDE HBC competes against Copper Sulfate and Formalin in hoof baths yet it does not contain such heavy metals or carcinogenic products. An independent clinical study conducted by Cornell University and published in the August 2010 edition of the Journal of Dairy Science concluded that DRAGONHYDE HBC outlasted typical Copper Sulfate and Formalin usage.

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: both domestically as well as abroad. New products continues to be developed.

### 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 customers. 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. Until 2010, the Company also sold 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, Johnson & Johnson's Cordis Division was a significant customer to the Company, accounting for 10% of the Company's total revenues. There were no significant customers to the Company for the fiscal year ended June 30, 2010.

### 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:

## Edgar Filing: HYDROMER INC - Form 10-K

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.

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 various 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.

## Edgar Filing: HYDROMER INC - Form 10-K

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:

7

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, supply and support arrangements 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/Support Services: The Company will continue its endeavors to license or make available 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/support fees based on sales of such treated or new products. Such agreements will usually be very narrow. The activities leading to the consummation of an 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. A 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 support agreement with the Company, through the Company's Contract Coating unit or it may have a third party perform the Hydromer coating treatment.

## Edgar Filing: HYDROMER INC - Form 10-K

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

As of June 30, 2010, the Company has six U.S. patents, two U.S. applications and various foreign counterparts. The Company's existing patents covers hydrophilic coatings and foams, hydrophilic polymer blends, anti-bacterial medical and

8

cosmetic materials, non-leaching biostatic coatings, barrier film and barrier teat dip and hoof bath compositions and Chitosan gels and others.

The Company owns the registered trademarks "Aquamere", "Aquatrix", "Dermaseal", "Dragonhyde" (previously a common law mark until August 17, 2010), "Hydromer", "Sea-Slide" and "T-HEXX" in the United States and other countries.

Legal action was initiated against a former licensee and other parties in fiscal 2004 on the basis of infringement of the Company's barrier teat dip 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.

### EMPLOYEES

As of June 30, 2010, the Company and its subsidiary had forty-eight 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, animal health 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 support agreements, it is generally the obligation of the customer to conform to any required FDA pre-market notification or other regulations. To the Company's knowledge, all such customers who are marketing medical products are in such compliance. The Company

## Edgar Filing: HYDROMER INC - Form 10-K

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 support agreements, to require the customers to obtain such approvals.

The Company 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.hydromer.com/sec](http://www.hydromer.com/sec) and [www.sec.gov](http://www.sec.gov).

### EXECUTIVE OFFICERS

The executive officers of the Company are as follows: Age as of

Name -----	Position with Company -----	Aug 31, 2010 -----
Manfred F. Dyck - Chairman of the Board, Chief Executive Officer and President		75
Martin C. Dyck - Executive Vice-President, Operations and President Biosearch Medical Products subsidiary		48
Rainer Gruening - Vice-President, Intellectual Property, T-HEXX Int'l Sales		67
John Konar - Vice-President, Quality Assurance and Director of Human Resources		61
Robert Y. Lee - Vice-President, Finance, Chief Financial Officer and Treasurer		44

9

Robert J. Moravsik - Senior Vice-President, General Counsel and Secretary	67
--	----

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

## Edgar Filing: HYDROMER INC - Form 10-K

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 and in 2010, added the title of VP, T-HEXX International Sales. 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 Biocide 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-four 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 \$0.30 and \$1.10 in the fiscal year 2010 and between \$0.25 and \$2.50 in the fiscal year 2009. 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 15, 2010 was 219. There are approximately 500 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, 2010, 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, 2010 WERE \$6,200,504 AS COMPARED TO \$7,752,007 FOR THE SAME PERIOD LAST YEAR, A DECREASE OF \$1,551,503 (20.0%).

Product sales and services revenues were \$5,205,245 for the 2010 fiscal year as compared to \$6,518,424 the prior fiscal year, a 20.1% decrease or \$1,313,179.

License royalties and contract payments were \$995,259 in fiscal 2010, down \$238,324 or 19.3% from fiscal 2009's results of \$1,233,583.



## Edgar Filing: HYDROMER INC - Form 10-K

MANAGEMENT COMMENT: The decrease in product sales was primarily due to the sale of the OEM medical device product lines which accounted for over \$1,000,000 of the lower product sales revenues. Growth in our animal health division (including from our new Dragonhyde Hoof Bath Concentrates product) and Industrial product lines (from increased demand for our anti-fog condensation control and anti-frost coatings), was reduced by lower medical coatings sales when comparing the results from fiscal 2009 to fiscal 2010.

Contract coating services income decreased by approximately \$397,000 between the years, largely due to a customer's conversion from procuring coating services to purchasing chemical coatings for their own application servicing.

Non-recurring (periodic but not annual) R&D projects contributed \$324,000 in services revenues for the fiscal 2009 year. There was no paid R&D projects in fiscal year 2010.

A customer cancelled their \$100,000 per month Supply and Support Agreement effective December 31, 2008. A new agreement, 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. This change in customer agreement contributed to a decrease of \$390,000 in contract revenues in fiscal 2010 as compared to the previous year.

TOTAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2010 WERE \$6,759,856, AN IMPROVEMENT OF 6.7% OR \$488,934 LOWER THAN THE 2009 FISCAL YEAR RESULTS OF \$7,248,790.

Cost of Goods Sold was \$2,405,023 for fiscal 2010 as compared to \$3,193,773 for fiscal 2009. Operating expenses were \$4,978,695 and \$4,943,366, for the years ended June 30, 2010 and 2009, respectively. Other Expenses added \$173,405 to expenses for fiscal 2010 as compared with \$223,886 for fiscal 2009. There was an Income Tax benefit of \$461,638 in fiscal 2010 as compared with Income Tax expense of \$181,113 in fiscal 2009. Reducing expenses in fiscal 2010 was the one time Gain from Sale of Assets of \$335,629 as compared to \$1,293,348 during fiscal 2009.

11

MANAGEMENT COMMENT: The exit from the higher cost OEM medical device business (sale of product lines in February and November 2009) resulted in lower product sales and hence, lower material costs. In addition, this eliminated the intensive labor required and outside sterilization costs, further lowering Cost of Sales in fiscal 2010. We will see continued improvement in subsequent periods as the Company continued its involvement in OEM medical device production until the conclusion of the transition period following the related sales (continued reduced operations through October 2009 and April 2010, respectively).

The decrease in the Cost of Sales for fiscal 2010 was partially offset by an increase in Operating Expenses primarily due to the focus on international sales of the T-HEXX Animal Health business that entailed adding staffing and additional promotions through client visits, exhibiting at tradeshows and advertising.

Included in the Company's Operating Expenses are Research & Development expenditures (primarily salaries and benefits) and funding to its patent and trademark estate. While most of these costs translate to minimal value in the current operations, they more provide for future results from new product development to the protection of such. These "re-investment" costs represented 21.6% and 22.0% of total Operating Expenses (or \$1,075,175 and \$1,080,720) for the years ended June 30, 2010 and 2009, respectively.

An Income Tax benefit of \$461,638 was recorded in fiscal 2010 as compared

## Edgar Filing: HYDROMER INC - Form 10-K

with an Income Tax provision of \$181,113 for the year ended June 30, 2009. The decrease in tax expense was attributed to the to the pre tax loss situation in fiscal 2010 as compared to the pre tax income in fiscal 2009.

A NET LOSS OF \$559,352 (\$0.12 PER SHARE) IS REPORTED FOR THE 2010 FISCAL YEAR COMPARED WITH NET INCOME OF \$503,217 (\$0.11 PER SHARE) FOR THE 2009 FISCAL YEAR.

MANAGEMENT COMMENT: A net loss for the 2010 fiscal year was not unexpected. The Company's 2008 strategic plan to divest out of the higher operational cost medical OEM device products (aged product lines which was labor and material intensive to produce that would have required a fairly high investment to refresh/update, along with a disproportionate level of inventories to carry) to focus on the T-HEXX Animal Health division provided up front cash but reduced future revenues: the impact to fiscal 2010 revenues was in excess of \$1 million. The Company has been ramping up the T-HEXX Animal Health division, which during the past two years introduced new products such as highly concentrated barrier teat dip Syrups, greener products and more recently Dragonhyde Hoof Bath Concentrates but needed cash for such expansion (additional staffing and new sales promotions such as increased tradeshow exhibitions and advertising). However, the net loss is primarily attributable to a Supply and Support Agreement which previously provided \$1,200,000 in cash revenues in previous years (through December 31, 2008) but currently at \$420,000 annually (since January 1, 2009) or an impact of \$780,000. It was highly unfortunate of the timing of the cancellation and subsequent replacement of the Supply and Support Agreement as the Company did not have an opportunity to reflect the results of its re-building strategy independently. Nonetheless, the Company believes that it is near the turning point back to profitability.

### LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL AS OF JUNE 30, 2010 WAS \$1,961,322 LOWER BY \$1,031,376 AGAINST \$2,992,698 OF THE PRIOR YEAR.

Compared against June 30, 2009, the June 30, 2010 cash and cash equivalent balance was lower by \$742,155, accounts receivable lower by \$138,726, inventory lower by \$367,280 and current liabilities lower by \$206,185.

MANAGEMENT COMMENT: Cash flows from Operations used \$955,802 in cash. Included in the cash used for Operations was \$1,075,175 as "re-investment" costs (R&D and patent and trademark costs) that yields more future benefits than current. The Company is in midst of a strategic initiative of refocusing in the more profitable T-HEXX animal health line away from the lower margin OEM medical product lines. (The OEM medical business also required a large inventory carrying level). Having shed the OEM medical business, the Company foresees immediate improvement to its operating margins (lower cost of sales rate). The Company's other business lines (such as medical coatings (including new supply agreements and equipment sales continuing), contract coating services, industrial anti-fog and anti-frost coatings) are growing but we expect growth to our T-HEXX animal health business alone to be sufficient to turn us around in the very near future.

### 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, 2010," which information is incorporated herein by reference.

### ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND

# Edgar Filing: HYDROMER INC - Form 10-K

## 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, 2010. 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, 2010, 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:

- o 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.

- o Reporting Controls over Inventory (control deficiency)

## Edgar Filing: HYDROMER INC - Form 10-K

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 product lines in February 2009 and November 2009 reduced inventory levels at year-end 2010 to approximately 24% of the 2008 year-end levels, further reducing the risk of

13

reported differences. (June 30, 2010 inventories represented 9% of total current assets as compared with June 30, 2008 inventories being 43% of the then current assets).

Management's report on Internal Control over Financial Reporting was not subject to attestation by the Company's independent registered accounting firm's under Section 404(b) of the Sarbanes-Oxley Act pursuant to the 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 2010 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 11 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.

Edgar Filing: HYDROMER INC - Form 10-K

(B) CURRENT REPORTS ON FORM 8-K:

The Company filed one Form 8-K during the year ended June 30, 2010, reporting the Sale of Product Lines.

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 25, 2010

/s/ Robert Y. Lee

-----  
Robert Y. Lee  
Chief Accounting Officer  
August 25, 2010

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:

## Edgar Filing: HYDROMER INC - Form 10-K

/s/ Manfred F. Dyck

-----  
Manfred F. Dyck  
President, Principal Executive Officer,  
Chairman of the Board of Directors  
August 25, 2010

/s/ Ursula M. Dyck

-----  
Ursula M. Dyck  
Director  
August 26, 2010

/s/ Robert H. Bea

-----  
Robert H. Bea  
Director  
August 25, 2010

/s/ Maxwell Borow

-----  
Maxwell Borow, MD  
Director  
August 25, 2010

/s/ Dieter Heinemann

-----  
Dieter Heinemann  
Director  
August 17, 2010

/s/ Frederick L. Perl

-----  
Frederick L. Perl, MD  
Director  
August 25, 2010

/s/ Michael F. Ryan

-----  
Michael F. Ryan, PhD  
Director  
August 25, 2010

/s/ George A. Ziets

-----  
George A. Ziets  
Director  
August 25, 2010

### INDEX TO 2010 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

**Edgar Filing: HYDROMER INC - Form 10-K**

pursuant to Section 906 of the Sarbanes-Oxley Act of 2002,  
signed by Robert Y. Lee, Chief Financial Officer of Hydromer,  
Inc.

## Edgar Filing: HYDROMER INC - Form 10-K

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):



## Edgar Filing: HYDROMER INC - Form 10-K

- 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 27, 2010

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

Edgar Filing: HYDROMER INC - Form 10-K

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 27, 2010

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, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Hydromer, Inc.

Date: September 27, 2010

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

-----  
EXHIBIT 32.2

Edgar Filing: HYDROMER INC - Form 10-K

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, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Hydromer, Inc.

Date: September 27, 2010

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

HYDROMER, INC. & SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS

Edgar Filing: HYDROMER INC - Form 10-K

JUNE 30, 2010 AND 2009

## Edgar Filing: HYDROMER INC - Form 10-K

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying balance sheets of Hydromer, Inc. & Subsidiary as of June 30, 2010 and 2009 and the related statements of operations, stockholders' equity and cash flows for each of the years in the two year period ended June 30, 2010. 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, 2010 and 2009, and the results of its operations and its cash flows for each of the years in the two-year period ended June 30, 2010 in conformity with accounting principles generally accepted in the United States of America.

Rosenberg Rich Baker Berman & Company

Somerset, New Jersey  
October 4, 2010

HYDROMER, INC. & SUBSIDIARY  
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

Financial Statements

Consolidated Balance Sheets.....	
Consolidated Statements of Operations.....	
Consolidated Statements of Stockholders' Equity.....	
Consolidated Statements of Cash Flows.....	
Notes to the Consolidated Financial Statements.....	

HYDROMER, INC. & SUBSIDIARY  
 CONSOLIDATED BALANCE SHEETS

	2010	Ju
-----		
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 843,610	
Short-term investments	440,000	
Trade receivables less allowance for doubtful accounts of \$33,276 and \$57,741 as of June 30, 2010 and 2009, respectively	920,252	
Inventory	248,569	
Prepaid expenses	227,338	
Deferred tax asset	-	
Other	15,487	
-----		
Total Current Assets	2,695,256	
-----		
Property and equipment, net		2,988,536

Edgar Filing: HYDROMER INC - Form 10-K

Deferred tax asset, non-current		1,011,945
Intangible Assets, net		839,722
-----		
Total Assets	\$	7,535,459
=====		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$	342,030
Accrued expenses		251,276
Current portion of Capital Leases		16,000
Current portion of deferred revenue		75,828
Current portion of mortgage payable		48,800
Income tax payable		-
-----		
Total Current Liabilities		733,934
-----		
Deferred tax liability		318,375
Long-term portion of Capital Leases		34,716
Long-term portion of deferred revenue		165,813
Long-term portion of mortgage payable		2,769,036
-----		
Total Liabilities		4,021,874
-----		
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, 2010 and 2009		3,721,815
Contributed capital		633,150
Accumulated deficit		(835,240)
Treasury stock, 10,917 common shares at cost		(6,140)
-----		
Total Stockholders' Equity		3,513,585
-----		
Total Liabilities and Stockholders' Equity	\$	7,535,459
=====		

See notes to the consolidated financial statements.

F-1

HYDROMER, INC. & SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS

Year  
2010



Edgar Filing: HYDROMER INC - Form 10-K

REVENUES

Sale of products	\$ 3,784,1
Service revenues	1,421,0
Royalties and Contract Revenues	995,2

TOTAL REVENUES 6,200,5

EXPENSES

Cost of Sales	2,405,0
Operating Expenses	4,978,6
Other Expenses, net	173,4
Gain from Sale of Assets	(335,6)
(Benefit from) Provision for Income Taxes	(461,6)

TOTAL EXPENSES 6,759,8

NET (LOSS) INCOME \$ (559,3

(Loss) Earnings Per Common Share \$ (0.

Weighted Average Number of Common Shares Outstanding 4,772,3

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	Treasury
	Shares	Amount	Capital	Deficit	Shares
Balance June 30, 2008	4,783,235	\$ 3,721,815	\$ 633,150	\$ (779,105)	10,917
Net Income				503,217	
Balance June 30, 2009	4,783,235	\$ 3,721,815	\$ 633,150	\$ (275,888)	10,917
Net Loss				(559,352)	
BALANCE JUNE 30, 2010	4,783,235	\$ 3,721,815	\$ 633,150	\$ (835,240)	10,917

See notes to the consolidated financial statements.

F-2

HYDROMER, INC. & SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Ye
	201
<hr/>	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net (Loss) Income	\$ (559)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:	
Gain from the Sale of Product Lines	(335)
Depreciation and amortization	428
Impairment of Intangibles	
Loss on Disposal of Fixed Assets	
Deferred income taxes	(448)
Changes in Assets and Liabilities	
Trade receivables	138
Inventory	70
Prepaid expenses	(23)
Other assets	(19)
Accounts payable and accrued liabilities	(128)
Deferred revenues	(1)
Income taxes payable	(77)
<hr/>	
Net Cash (Used in) Provided by Operating Activities	(955)
<hr/>	
CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash purchases of property and equipment	(245)
Cash payments on Patents and Trademarks	(302)
Sale of Product Lines	800
Cash purchases of short-term investments	(690)
Maturity of short-term investments	700
<hr/>	
Net Cash Provided by Investing Activities	261
<hr/>	
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net payments against Line of Credit	
Repayment of long-term borrowings	(47)
New long-term borrowings	
<hr/>	
Net Cash (Used in) Provided by Financing Activities	(47)
<hr/>	

**Edgar Filing: HYDROMER INC - Form 10-K**

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS:		(742
Cash and Cash Equivalents at Beginning of Period		1,585
-----		
Cash and Cash Equivalents at End of Period	\$	843
=====		
Cash paid during the year for:		
Interest	\$	202
Income taxes	\$	77

See notes to the consolidated financial statements.

F-3

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. During the 2009 calendar year, the Company sold off most of its OEM medical device product lines leaving Biosearch Medical Products, Inc., as primarily in contract coating services (also see Footnote 14).

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, 2010 were \$440,000, comprising of bank CD's with interest rates ranging from 1.14% to 1.25%. Short term investments as of June 30, 2009 were \$450,000.

ACCOUNTS RECEIVABLES

## Edgar Filing: HYDROMER INC - Form 10-K

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 Accounting Standards Codification ("ASC") 820-10, Fair Value Measurements. ASC 820-10 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 ASC 820-10 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 ASC 820-10 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:

- o Level 1 - Quoted prices in active markets for identical assets or liabilities.
- o 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.
- o 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

F-4

### 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

## Edgar Filing: HYDROMER INC - Form 10-K

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 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 ASC 360-10, 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 \$47,340 and \$50,519 for the years ended June 30, 2010 and 2009, respectively.

### 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, 2010 and 2009 were \$837,351 and \$883,616, respectively.

### STOCK BASED COMPENSATION

The Company accounts for stock and stock options issued for services and compensation to employees under ASC 718-10. 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 determines the fair market value of the options issued under the Black-Scholes Pricing Model. Under the provisions of ASC 718-10, 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, 2010 and June 30, 2009.

### 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

## Edgar Filing: HYDROMER INC - Form 10-K

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 ASC 740-10, Accounting for Uncertainty in Income Taxes. The implementation of ASC 740-10 had no impact on the Company's financial statements as the Company has not recognized any uncertain income tax positions.

### EARNINGS PER SHARE

Earnings per share, in accordance with the provisions of ASC 260-10, 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.

## 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 at June 30, 2009 was \$35,000. There were no significant customers for the year ended June 30, 2010.

## 3. FAIR VALUE

In accordance with ASC 820-10, 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, 2010 and June 30, 2009, respectively:

as of June 30, 2010	Level 1	Level 2	Level 3	Total
	-----	-----	-----	-----
<b>ASSETS</b>				
Investments	\$ 440,000	-	-	\$ 440,000
	-----			-----
Total Assets	\$ 440,000	-	-	\$ 440,000
	=====			=====

Edgar Filing: HYDROMER INC - Form 10-K

LIABILITIES - n/a	-	-	-	-
-----	-----	-----	-----	-----
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	-	-	-	-
-----	-----	-----	-----	-----

F-6

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

4. INVENTORY

Following the final sale of the Biosearch Medical Products medical device product lines during the fiscal year, inventory as of

June 30, 2010 consists of:

	June 30,	
	2010	2009
	----	----
Finished goods	\$ 98,690	\$ 97,746
Work in process	202	246,002
Raw materials	149,677	272,101
	-----	-----
	\$ 248,569	\$ 615,849
	=====	=====

5. PROPERTY AND EQUIPMENT

Reflecting the write-off of 1,743,800 in fully depreciated equipment and fixtures as they are no longer in service, and other activity, property and equipment consists of the following:

	June 30,	
	2010	2009
	----	----
Land	\$ 472,410	\$ 472,410
Building	2,307,449	2,223,011
Machinery and equipment	2,164,899	3,968,307
Equipment under capital leases	86,729	87,120
Furniture and fixtures	204,027	552,228
	-----	-----
	5,235,514	7,303,076
Less: Accumulated depreciation and	(2,220,742)	(4,152,299)

Edgar Filing: HYDROMER INC - Form 10-K

amortization

Accumulated depreciation on capital leases	(26,236)	(15,760)
Property and Equipment, net	\$ 2,988,536	\$ 3,135,017

Depreciation expense, including that on assets under capitalized leases, charged to operations, was \$225,051 and \$241,908 for the years ended June 30, 2010 and 2009, respectively. In addition to the write off of \$1,743,800 in fully depreciated equipment and fixtures during the year ended June 30, 2010, approximately \$567,000 in equipment (approximately \$413,000 in accumulated depreciation) was sold as part of the product lines sold to Forefront Medical Technology (PTE) Ltd. (see Footnote 14).

6. INTANGIBLE ASSETS

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

F-7

	June 30,	
	2010	2009
Patents	\$ 1,403,865	\$ 1,255,486
Trademarks	66,218	21,860
Less: Accumulated amortization	(546,866)	(465,333)
Intangible Assets, net	\$ 923,217	\$ 812,013

During the year ended June 30, 2009, \$167,252 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. During the year June 30, 2009, \$72,955 of fully amortized trademark costs have been written off as the periods to which it covers expired. For the year ended June 30, 2010 there were no patent costs nor trademark costs deemed impaired (and thereby written off).

Future amortization of Intangible Assets, as of June 30, 2010, are as follows:

Year ending June 30,	
2011	\$ 141,286



## Edgar Filing: HYDROMER INC - Form 10-K

2012	96,739
2013	94,507
2014	88,280
2015	82,911
Thereafter	419,494
	-----
	\$ 923,217
	=====

-----  
 Amortization expense for the years ended June 30, 2010 and 2009 were \$205,937 and \$233,102, 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 \$7,542 in finance charges, are as follows:

----- Year ending June 30, -----	
2011	\$ 20,506
2012	20,506
2013	17,246
	-----
	\$ 58,258
	=====

### 8. LONG-TERM DEBT AND CREDIT FACILITY

As of June 30, 2010, 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, 2010, the book value of the real estate and improvements was \$2,266,374.

F-8

The mortgage, for \$2,900,000, refinanced two ten-year mortgages in September 2008, provided for an additional \$1.1 million in cash for use in repaying its maturing Line-of-Credit facility and as additional working capital.

Long-term debt is comprised of the following:

	June 30,		
	2010	2009	
	-----	-----	
Mortgage note	\$ 2,817,836	\$ 2,865,751	
Less: Current Maturities	(48,800)	(45,696)	
	-----	-----	

## Edgar Filing: HYDROMER INC - Form 10-K

Long-term Debt,

Net of Current Maturities    \$ 2,769,036    \$ 2,820,055

=====    =====

Maturities of the long-term debt are as follows:

Year ending June 30,	As of June 30, 2010
2011	\$ 48,800
2012	51,720
2013	55,899
2014	59,847
2015	64,074
Thereafter	2,537,496
	\$ 2,817,836
	=====

At June 30, 2010, the Company did not meet two mortgage covenants. In September 2010, the bank granted loan covenant modifications so that the Company is no longer in violation.

### 9. INCOME TAXES

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

	Federal	State	Total
YEAR ENDED JUNE 30, 2010			
CURRENT	\$ -	\$ 4,160	\$ 4,160
DEFERRED	(355,096)	(110,702)	(465,798)
	\$ (355,096)	\$ (106,542)	\$ (461,638)
	=====	=====	=====
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
	=====	=====	=====

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

Edgar Filing: HYDROMER INC - Form 10-K

F-9

	June 30,	
	2010	2009
Deferred Tax Asset		
Net Operating Losses	\$ 514,684	\$ 225,749
Adjustment of Goodwill	196,069	196,069
Research & Development	597,261	405,213
Credits		
Valuation allowance	(296,069)	(296,069)
	-----	-----
Total Deferred Tax Assets	1,011,945	530,962
	=====	=====
Deferred Tax Liability		
Depreciation	(318,375)	(285,858)
	-----	-----
Total Deferred Tax Liability	\$ (318,375)	\$ (285,858)
	=====	=====

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.

As of June 30, 2010, the Company has net operating loss carry forwards of approximately \$1,125,105 and \$1,468,311 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 \$356,317 and \$240,944 for Federal and State tax purposes, respectively, which expire in various years through June 30, 2030 and June 30, 2017, 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,	
	2010	2009
	-----	-----
Federal statutory tax rate	(34.0) %	34.0 %
State income tax - net of federal tax benefit	(2.6)	(0.8)
R & D credits	(7.2)	(4.5)
Permanent and other differences	(1.4)	(2.2)
	-----	-----
	(45.2) %	26.5 %
	=====	=====

## Edgar Filing: HYDROMER INC - Form 10-K

-----

### 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.

F-10

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 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 2009 or 2010 fiscal year.

A summary of activity under the plan for the years ending June 30, 2009 and 2010 are as follows:

Common Stock Options Outstanding		
	Shares	Weighted Average Exercise Price
Balance, June 30, 2008	235,000	\$ 1.44
Cancelled	(52,000)	1.10
Balance, June 30, 2009	183,000	\$ 1.53
Cancelled	(56,000)	2.10
BALANCE, JUNE 30, 2010	127,000	\$ 1.28

Following is a summary of the status of options outstanding as of June 30, 2010:

Outstanding Options		Exercisable Options	
Exercise Price	Weighted Average Remaining Contractual	Weighted Average Exercise	Weighted Average Exercise

## Edgar Filing: HYDROMER INC - Form 10-K

Range	Number	Life	Price	Number	Price
-----	-----	----	-----	-----	-----
\$0.95 - \$1.18	112,000	0.8 years	\$1.05	112,000	\$1.05
\$3.00	15,000	2.1 years	\$3.00	15,000	\$3.00
	127,000	1.0 years	\$1.28	127,000	\$1.28

-----  
 As the stock price of the Company's stock on June 30, 2010 was lower 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. There were no Company matching contribution made to the plan during the fiscal years ended June 30, 2009 or June 30, 2010.

### 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 Aquamere(R), Aquatrix(R), Dermaseal(R), Dragonhyde(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 included an OEM product line of bipolar coagulation probes, placement catheters, biliary stents, jejunal and enteral feeding accessories, guidewires, biofeedback devices for fecal and urinary incontinence and other endoscopic accessories. With the exception of the

F-11

biofeedback devices, all the medical device product lines were sold in fiscal 2009 and 2010. Remaining in this segment are contract coating services and engineering services.

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. No single customer accounted for more than 10% of the polymer research segment sales for the fiscal year 2010. One such customer accounted for 14% of the segment sales for the 2009 fiscal year. For the medical products segment, the top three customers accounted for 87% and 65% of that segment's 2010 and 2009 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 benefits 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:

Edgar Filing: HYDROMER INC - Form 10-K

	Polymer Research	Medical Products	Corporate Overhead	Total
YEAR ENDED JUNE 30, 2010				
REVENUE	\$4,136,010	\$2,064,494		\$ 6,200,504
EXPENSES	(3,738,588)	(1,912,662)	(1,570,244)	(7,221,494)
EARNINGS (LOSS) BEFORE INCOME TAXES				
	\$ 397,422	\$ 151,832	\$ (1,570,244)	\$ (1,020,990)
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

Included under the Polymer Research segment was the non-cash impairment of intangible assets of \$167,252 for fiscal year 2009. There was no such impairment for fiscal year 2010.

Included under the Medical Products segment were the pre-tax gain from the sale of product lines of \$335,629 and \$1,293,348 in fiscal 2010 and 2009, respectively.

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

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

13. EARNINGS PER SHARE

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

	2010	2009
Numerator:		
Net (loss) income	(559,352)	\$ 503,217

## Edgar Filing: HYDROMER INC - Form 10-K

	=====	=====
Denominator:		
Denominator for basic earnings per share	4,772,318	4,772,318
- weighted average shares outstanding		
Effect of dilutive securities - Stock Options	-	-
Denominator for dilutive earnings per share		
under the treasury stock method		
- weighted average shares outstanding	4,772,318	4,772,318
Basic (Loss) Earnings per share	(0.12)	\$ 0.11
Dilutive Earnings per share	n/a	\$ n/a

-----

Common stock equivalents (consisting of 127,000 and 183,000 stock options for the years ended June 30, 2010 and 2009, respectively) were not included in computing diluted earnings per share as their effect would have been anti-dilutive.

### 14. SALE OF PRODUCT LINES

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

This sale included inventory and equipment related to that business and also called for the assignment of certain customer supply agreements to Forefront and a three year non-compete provision. A separate supply agreement for Hydromer(R) hydrophilic coating solution used on those products was also entered between the parties. Biosearch continued manufacturing the products, at an agreed upon transfer price, until Forefront completed the transition in April 2010.

On February 20, 2009, Biosearch 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 called for the assignment of existing Biosearch customer supply agreements to Merit, a seven year non-compete provision and a supply agreement for Hydromer(R) hydrophilic coating solution used on those products. Under a separate transfer price agreement, the Company continued manufacturing the products solely for Merit, until October 2009 when Merit was ready to independently manufacture the products.

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. Therefore, along with the continued manufacturing for both Forefront and Merit, these transactions did not meet the criteria of discontinued operations under ASC 205-20, Discontinued Operations.

The gains on sale of the product lines are reflected separately on the Consolidated Statement of Operations.

### 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

## Edgar Filing: HYDROMER INC - Form 10-K

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.

F-13

### 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).



## Edgar Filing: HYDROMER INC - Form 10-K

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

## Edgar Filing: HYDROMER INC - Form 10-K

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).

## Edgar Filing: HYDROMER INC - Form 10-K

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).

## Edgar Filing: HYDROMER INC - Form 10-K

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

## Edgar Filing: HYDROMER INC - Form 10-K

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.

10.ci Asset Purchase and Supply Agreement dated February 2009 between Merit Medical Systems, Inc. and the Company

10.cj Asset Transfer Agreement dated November 2009 between Forefront Medical Technology (PTE) Ltd 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.

References & Pertinent Literature

- A.G.V. Teixeira, V.S. Machado, L.S. Caixete, R.V. Pereira, R.C. Bicalho.,  
"Efficacy of formalin, copper sulfate, and a commercial footbath product  
in the control of digital dermatitis" *Journal of Dairy Science*, August  
2010, Vol.93, Issue 8, pp 3628-3634
- Bach, A., Darby, D., Boettiger, B., Boehrer, H., Motsch, J. and Martin, E.  
"Retention of the antibiotic teicoplanin on a hydromer-coated central  
venous catheter to prevent bacterial colonization in postoperative  
surgical patients" *Intensive Care Medicine*, 1996, Vol. 22, No. 10, pp  
1066-1069
- Bayston, R., Bhunda, C. and Ashraf, W. "Hydromer-coated catheters to prevent  
shunt infection?" *J Neurosurg (Pediatrics 2)*, 2005, No. 102, pp 207
- Belknap, D.C., Seifert, C.F. and Petermann, M. "Administration of Medications  
Through Enteral Feeding Catheters" *American Journal of Critical Care*,  
1997, Vol. 6, No. 5, pp 382-392
- Borow, M. and Crowley, J.G. "Prevention of thrombosis of central venous  
catheters" *Journal of Cardiovascular Surgery*, 1986, Vol. 27, No. 5, pp  
571-574
- Borow, M. and Crowley, J.G. "Evaluation of Central Venous Catheter  
Thrombogenicity" *Acta anaesthesiologica Scandinavia, Supplementum*, 1985,  
Suppl. 81, pp 59-64

## Edgar Filing: HYDROMER INC - Form 10-K

- Bridgett, M.J., Davies, M.C., Denyer, S.P. and Eldridge, P.R. "In vitro assessment of bacterial adhesion to Hydromer-coated cerebrospinal fluid shunts" *Biomaterials*, 1993, Vol. 14, No. 3, pp 184-188
- Bylock, A., Hultman, E., Gustavsson, B., Lindner, L.E. and Curlaru, I. "Surface Morphology Of Unused And Used Hydromer-Coated Intravenous Catheters" *Scanning Electron Microscopy (I)*, 1986, pp 157-164
- Chan, A., Iannucci, A. and Dager, W., "Systemic Anticoagulation Prophylaxis for Central Catheters - Associated Venous Thrombosis in Cancer Patients", *An. Pharmacotherapy*, 2007, Vol. 41, No. 4, pp 635-641
- Costamagna, G., Mutignani, M., Rotondano, G., Cipoletta, L., Ghezzi, L., Foco, A. and Zambelli, A. "Hydrophilic hydromer-coated polyurethane stents versus uncoated stents in malignant biliary obstruction: a randomized trial" *Gastrointestinal Endoscopy*, 2000, Vol. 51, No. 1, pp 8-11
- DePalma, G. and Puzziello, A. "Ultrasonography-guided endoscopic stent placement for malignant biliary obstruction" *Endoscopy*, 2004, Vol 36, No. 4, pp 334-336
- DePalma, G., Puzziello, A., Aprea, G., etc. "Ultrasound-guided endoscopic drainage, ... , in patients with neoplastic biliary obstruction", *Minerva Chir.*, 2004, Vol. 59, No. 4, pp 347-350
- Dua, K., Reddy, N., Rao, V., Banerjee, R., Medda, B. and Lang, I., "Impact of Reducing duodenobiliary reflux on biliary stent patency: an in vitro evaluation and a prospective randomized clinical trial that used a biliary stent with an antireflux valve." *Gastrointestinal Endoscopy*, May 2007, Vol 6, No. 6, pp 819-828
- Elliott T.S. "The prevention of central venous catheter-related sepsis" *Journal of Chemotherapy*, 2001, Vol. 13, No. 1 (1), pp 234-238
- Elliott T.S.J. "Role of antimicrobial central venous catheters for the prevention of associated infections" *Journal of Antimicrobial Chemotherapy* 1999, Vol. 43, pp 441-446
- Faigel, D.O. "Preventing biliary stent occlusion" *Gastrointestinal Endoscopy*, 2000, Vol. 51, No. 1, Jan 2000
- Francois, P., Vaudaux, P., Lew, D.P., Nurdin, N., Mathieu, H.J. and Discounts, P. "Physical and biological effects of a surface coating procedure on polyurethane catheter" *Biomaterials*, 1996, Vol. 17, No. 7, pp 667-678
- Garvin, J., Button, N.F., Watson-Craik, I.A. and Logan, N.A. "Observation of Soft Contact Lens Disinfection with Fluorescent Metabolic Stains" *Applied and Environmental Microbiology*, 2000, Vol. 66, No. 2, pp 874-875
- Gupta, P., Vermani, K. and Garg, S. "Hydrogels: from controlled release to pH-responsive drug delivery" *Drug Discovery Today*, 2002, Vol. 7, No. 10, pp 569-579
- Hammarstrom, L., "Endobiliary Stents for Palliation in Patients With Malignant Obstructive Jaundice" *J. Clinical Gastroenterology*, 2005, Vol. 39, No. 5, pp 413-421
- Hoff, B.H., Hawke, M., Fletcher, S. and Matjesko, M.J., "The Spectrum of Thromboembolization in the Central Circulation." *Anesthesiology Res.* 534

## Edgar Filing: HYDROMER INC - Form 10-K

MSTF University of Maryland 1992

- Jansen, B., Goodman, L.P. and Ruiten, D. "Bacterial adherence to hydrophilic polymer-coated polyurethane stents" *Gastrointestinal Endoscopy*, 1993, Vol. 39, No. 5, pp 670-673
- John, S.F., Hillier, V.F., Handley, P.S. and Derrick, M.R. "Adhesion of staphylococci to polyurethane and hydrogel-coated polyurethane catheters assayed by an improved radiolabelling technique." *Journal of Medical Microbiology*, 1995, Vol. 43, No. 2, pp 133-140
- Jones, D.S., McMeel, S., Adair, C.G. and Gorman, S.P. "Characterisation and evaluation of novel surfactant bacterial anti-adherent coatings for endotracheal tubes ...", *Journal of Pharmacy and Pharmacology*, 2003, Vol. 55, No. 1, pp 43-52
- Kim, Y T., "Endoscopic Stent Drainage for Malignant Biliary Obstruction: The Korean Experience" *Digestive Endoscopy*, April 2006, Vol. 18, No. 2, pp 154-156
- Leung, J.W., Liu, Y., Cheung, S., Chan, R.C.Y., Inciardi, J.F. and Cheng, A.F. "Effect of antibiotic-loaded hydrophilic stents in the prevention of bacterial adherence: A study of charge, discharge, and recharge concept using ciprofloxacin" *Gastrointestinal Endoscopy*, 2001, Vol. 53, No. 4, pp 431-437
- Levy, M., Baron, T. and Gostout, C. "Palliation of Malignant Extrahepatic Biliary Obstruction with Plastic vs. Expandable Metal Stents" *Clinical Gastroenterology Hepatitis*, 2004, No. 2, pp 273
- Palma, G.D., Galloro, G., Siciliano, S., Iovino, P. and Catanzano, C. "Unilateral versus bilateral endoscopic hepatic duct drainage in patients with malignant hilar biliary obstruction" *Gastrointestinal Endoscopy*, 2001 Vol. 53, No. 6, pp 547-553
- Piozzi, A., Francolini, I. Occhiaperti, etc. "Antimicrobial activity of polyurethanes coated with antibiotics" *International Journal of Pharmaceutics*, 2004 Vol. 280, Issues 1-2, pp 173-183
- Risbud, M.V., Bhonde, M.R. and Bhonde, R.R. "Effect of chitosan-polyvinyl pyrrolidone hydrogel on proliferation and cytokine expression of endothelial cells" *Journal of Biomedical Matter Research*, 2001, Vol. 57, pp 300-305
- Risbud, M.V., Bhonde, M.R. and Bhonde, R.R. "Chitosan-polyvinyl pyrrolidone hydrogel does not activate macrophages: potentials for transplantation applications" *Cell Transplant*, March 2001, Vol. 10, pp 195-202
- Seitz, U. and Soehendra, N. "Which stents do we need? The case for plastic stents" *Endoscopy*, 1998 Vol. 30, No. 9, A242-6
- Top Agrar "Neues Mittel Gegen Mortellaro" Publisher's Summary of Cornell Dragonhyde [Journal of Dairy Sciences] Study, October 2010, pp R18
- Vicario, P.P., Grigorian, I.A. and Pascoe, J., "Efficacy of Hydromer's Teat Dip Formulations as Bactericidal Agents for the Control of Bovine Mastitis" *Journal of Veterinary Medicine and Animal Health*, 2009, 1, pp 1-4
- Vicario, P.P., Lu, Z., Grigorian, I. and Schottman, T., "A lubricious formulation exhibiting reduced thrombogenicity, cell adhesion and protein adsorption" *Journal Biomedical Materials Research: Part B - Applied Biomaterials*, 2009, 90B, pp 452-460



## Edgar Filing: HYDROMER INC - Form 10-K

- Vicario, P.P., Lu, Z., Grigorian, I.A. and Schottman, T., "Cell adhesion and proliferation is reduced on stainless steel coated with Hydromer's polymeric formulations" *Journal Biomedical Materials Research: Part B - Applied Biomaterials*, 2009, 89B, pp 114-121
- Vicario, P.P., Lu, Z., Wang, Z., Merritt, K., Buongiovanni, D. and Chen, P., "Anti-thrombogenicity of Hydromer's Polymeric Formula F202TM Immobilized on Polyurethane and Electropolished Stainless Steel" *Journal Biomedical Materials Research: Part B - Applied Biomaterials*, 2008, 86B, pp 136-144
- Vicario, P.P., Wang, B., Pascoe J., Grigorian I., Lu, Z., DeRose, M. and von Dyck, S., "Methods for Evaluating the Properties and Efficacy of Teat Dip Formulations Designed as Barriers to Microorganisms during the Dry Period" *NMC 49th Annual Meeting Proceedings*, January 31-February 3, 2010, Albuquerque, NM, Poster Session, February 2010
- Wu, Gang; Wan, Changxiu; Duan, Yourong and Yue, Yilun "Researches on Surface Modification for Prevention of Bacterial Adhesion to Implementing Biomaterials" *Implanting Journal of Biomedical Engineering*, 2000, Vol. 1, No. 17

ASSET PURCHASE AND SUPPLY AGREEMENT

BY AND AMONG

MERIT MEDICAL SYSTEMS, INC.

BIOSEARCH MEDICAL PRODUCTS, INC.

AND

HYDROMER, INC.

FEBRUARY 19, 2009

TABLE OF CONTENTS

-----

1. DEFINITIONS.....	1
-----	
2. BASIC TRANSACTIONS.....	1
-----	
(a) Transactions.....	1
-----	
(b) Assumption/Exclusion of Liabilities.....	1
-----	
(c) Consideration Provided by Buyer for Acquired Assets.....	1
-----	
(d) ConMed Distribution Agreement Conditions.....	1
-----	

## Edgar Filing: HYDROMER INC - Form 10-K

(e) Allocation of Purchase Price.....	1
(f) The Closing.....	1
(g) Deliveries at the Closing.....	1
3. REPRESENTATIONS AND WARRANTIES OF SELLERS.....	1
(a) Organization of Seller.....	1
(b) Authorization of Transaction.....	1
(c) Noncontravention.....	1
(d) Title to Assets; Sufficiency of Assets.....	1
(e) No Adverse Change.....	1
(f) Legal Compliance.....	1
(g) Intellectual Property.....	1
(h) Environmental, Health, and Safety Matters.....	1
(i) Contracts.....	1
(j) Litigation.....	1
(k) Product Warranty.....	1
(l) Product Liability.....	1
(m) Customers and Suppliers.....	1
(n) Pre-Closing Representations.....	1
(o) Broker Fees.....	1
4. REPRESENTATIONS AND WARRANTIES OF BUYER.....	1
(a) Organization of Buyer.....	1

## Edgar Filing: HYDROMER INC - Form 10-K

-----	
(b) Authorization of Transaction.....	1
-----	
(c) Noncontravention.....	1
-----	
(d) Brokers' Fees.....	1
-----	
(e) Financial Status.....	1
-----	
5. CONDITIONS TO CLOSING.....	1
-----	
(a) Conditions to Obligation of Buyer.....	1
-----	
(b) Conditions to Obligation of Sellers.....	1
-----	
6. PRE-CLOSING COVENANTS.....	1
-----	
(a) General.....	1
-----	
(b) Notices and Consents.....	1
-----	
(c) Operation of Business.....	1
-----	
(d) Full Access.....	1
-----	
(e) Notice of Developments.....	1
-----	
(f) No Participation or Solicitation of Competing Transaction.....	1
-----	
(g) Completion of Non-assignable Agreements.....	1
-----	
7. POST-CLOSING COVENANTS.....	1
-----	
(a) General.....	1
-----	
(b) Litigation Support.....	1
-----	
(c) Customers and Vendors.....	1
-----	
(d) Confidentiality.....	1
-----	

Edgar Filing: HYDROMER INC - Form 10-K

(e) Transfer of Assets.....1  
-----

8. REMEDIES FOR BREACHES OF THIS AGREEMENT.....1  
-----

(a) Survival of Representations and Warranties.....1  
-----

(b) Indemnification Provisions for Benefit of Buyer and Sellers...1  
-----

(c) Matters Involving Third Parties.....1  
-----

(d) Characterization of Payments.....1  
-----

9. SUPPLY AGREEMENT.....1  
-----

(a) Supply of Acquired Products.....1  
-----

(b) Manufacture.....1  
-----

(c) Inspection.....1  
-----

(d) Records.....1  
-----

(e) Labeling.....1  
-----

(f) Purchases and Pricing.....1  
-----

(g) Regulatory Status.....1  
-----

(h) Regulatory; Complaints; Failure Analysis.....1  
-----

(i) Recalls.....1  
-----

(j) Quality Assurance Inspections.....1  
-----

(k) No Change to Acquired Products.....1  
-----

(l) Quality System Regulation.....1  
-----

(m) Remedies.....1  
-----

(n) Product Liability Insurance.....1  
-----

Edgar Filing: HYDROMER INC - Form 10-K

(o) Limitation of Liability.....1  
-----

10. TERMINATION.....1  
-----

(a) Termination of Agreement.....1  
-----

(b) Effect of Termination.....1  
-----

11. MISCELLANEOUS.....1  
-----

(a) Press Releases and Public Announcements.....25  
-----

(b) No Third-Party Beneficiaries.....1  
-----

(c) Entire Agreement.....1  
-----

(d) Succession and Assignment.....1  
-----

(e) Counterparts.....1  
-----

(f) Headings.....1  
-----

(g) Notices.....1  
-----

(h) Governing Law; Jurisdiction.....1  
-----

(i) Amendments and Waivers.....1  
-----

(j) Severability.....1  
-----

(k) Expenses.....1  
-----

(l) Construction.....1  
-----

(m) Incorporation of Exhibits and Schedules.....1  
-----

(n) Specific Performance.....1  
-----

(o) Waiver of Trial By Jury.....1  
-----

(p) Transfer Taxes.....28

Edgar Filing: HYDROMER INC - Form 10-K

Exhibit A	Acquired Assets
Exhibit B	Acquired Intellectual Property
Exhibit C	Allocation of the Purchase Price
Exhibit D	Bill of Sale
Exhibit E	Assignment and Assumption of Acquired Contracts
Exhibit F	License Agreement
Exhibit G	Non-Compete Agreement
Exhibit H	Supply Agreement Pricing and Terms
Disclosure Schedule	Exceptions to Representations and Warranties of Sellers

ASSET PURCHASE AND SUPPLY AGREEMENT

This Asset Purchase and Supply Agreement (this "Agreement") is entered into as of February [\_\_\_], 2009, by and between Merit Medical Systems, Inc., a Utah corporation ("Buyer" or "Merit"), Hydromer, Inc., a New Jersey corporation having its principal place of business at 35 Industrial Parkway, Branchburg, NJ 08876 ("Hydromer") and Biosearch Medical Products, Inc., a New Jersey corporation having its principal place of business at 35 Industrial Parkway, Branchburg, NJ 08876, ("BioSearch," and collectively with Hydromer, the "Sellers"). BioSearch is a wholly-owned subsidiary of Hydromer. Buyer and Sellers are referred to collectively herein as the "Parties" and individually as a "Party."

RECITALS



## Edgar Filing: HYDROMER INC - Form 10-K

A. Sellers are in the business of, among other things, developing, manufacturing and distributing medical devices, including the endoscopic bipolar coagulation probe and the Hydromer grafted indwelling plastic biliary stent.

B. Sellers desire to sell the Acquired Products (defined below) and other assets related thereto to Buyer, and Buyer desires to purchase such assets from Sellers, in exchange for the consideration set forth herein, all upon the terms and subject to the conditions of this Agreement.

C. Sellers desire to manufacture the Acquired Products and supply the Acquired Products to Buyer during the period beginning on the Closing Date and ending on the date Buyer can successfully and independently manufacture the Acquired Products in accordance with the standards set forth herein.

D. Sellers and Buyer are willing to make certain representations, warranties, covenants and agreements in connection with such sale, purchase and supply.

### AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows:

1. Definitions. For purposes of this Agreement, the following terms have the meanings set forth below:

"Acquired Assets" means each of the following, as of the Closing Date (a) all right, title, and interest in and to all of the assets owned by Sellers described on Exhibit A, whether in the possession of Seller or in the possession of a third party; (b) all Inventory and similar items related to the Acquired Products; (c) all Manufacturing Assets; (d) all Acquired Intellectual Property; (e) all worldwide regulatory documentation and submissions with associated approval documentation, including without limitation FDA 510(k) registrations, pre-market notifications, approvals, clearances, applications, extensions, renewals, and CE dossiers and registrations exclusively related to the Acquired Products (together "Regulatory Documentation"); (f) all approvals, permits, licenses, orders, registrations, certificates, variances, and similar rights obtained from governments and governmental agencies within the United States and foreign jurisdictions related exclusively to the Acquired Products; (g) books, records, ledgers, files, documents, correspondence, lists, plans, drawings, and specifications related to the Acquired Intellectual Property, including without limitation all regulatory filings and filing histories; (h) all creative materials, advertising and promotional materials, designs, studies, reports, and other printed, video, electronic or written materials and all packaging related exclusively to the Acquired Products; (i) all customer, vendor and supplier lists for all orders of the Acquired Products, order histories and contact information of such customers, complaint files, sterilization validations and all other information related to the Acquired Products; (j) all goodwill related exclusively to the Acquired Assets; and (k) the Acquired Contracts.

"Acquired Contracts" means all contracts, leases, licenses and other agreements or arrangements of Sellers related exclusively to the Acquired Products, all of which are listed on Section 3(i) of the Disclosure Schedule.

"Acquired Products" shall mean the endoscopic bipolar coagulation probe specifically defined by FDA 510K numbers k912129/A & k921029 and Hydromer grafted plastic indwelling biliary stent specifically defined by FDA 510K number k901582.

## Edgar Filing: HYDROMER INC - Form 10-K

"Acquisition Proposal" shall mean any proposal or offer made by any Person other than the Buyer or any Affiliate thereof to acquire any of the Acquired Assets.

"Adverse Consequences" means all damages, dues, penalties, fines, costs, amounts paid in settlement, obligations, taxes, Encumbrances, losses or fees, together with all reasonable expenses and fees, including without limitation court costs and attorneys' fees and expenses, arising out of any actions, suits, proceedings, hearings, official inquiries, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees or rulings.

"Acquired Intellectual Property" means all Intellectual Property embodied in, used by, or otherwise related to the Acquired Assets, or otherwise owned or used by Sellers in connection with the business of the Acquired Products, including, but not limited to, the items described on Exhibit B (if any), but excluding the Licensed Intellectual Property.

"Affiliate" has the meaning set forth in Rule 12b-2 of Regulation 12B promulgated under the Securities Exchange Act.

"Assumed Liabilities" shall have the meaning set forth in Section 2(b)(i) below.

"Closing" has the meaning set forth in Section 2(f) below.

"Closing Date" has the meaning set forth in Section 2(f) below.

"Confidential Information" means any information regarding the business and affairs of Sellers or Buyer that is not generally available to the public on the date hereto. Information that may be included in Confidential Information includes, but is not limited to, matters of a technical nature (including Intellectual Property, know-how, computer programs, software, patented and unpatented technology, source-code, accounting methods, and documentation), matters of a business nature (such as information about contract forms, costs, profits, employees, promotional methods, markets, market or marketing plans, sales, and client accounts), plans for further development, and any other information meeting the definition of Confidential Information set forth above.

"ConMed" means ConMed Corporation, a New York corporation having a principal place of business at 523 French road, Utica, New York 13502.

"ConMed Agreement" means that certain Distribution Agreement, dated July 15, 2003, entered into by and between Biosearch and C.R. Bard, Inc., a New Jersey corporation, and subsequently assigned to ConMed pursuant to that certain Assignment and Assumption Agreement in the form of a letter dated September 10, 2004, between C.R. Bard, Inc. and ConMed.

"Disclosure Schedule" has the meaning set forth in Section 3 below.

"Encumbrance" shall mean any mortgage, pledge, assessment, security interest, deed of trust, lease, lien, adverse claim, levy, charge or other encumbrance of any kind, or any conditional sale or title retention agreement or other agreement to give any of the foregoing in the future.

"Excluded Liabilities" shall have the meaning set forth in Section 2(b)(ii) below.

"Governmental Authority" means any government, state, commonwealth or any subdivision thereof, whether domestic, foreign or multinational, or any agency, authority, bureau, commission, department or similar body or instrumentality

## Edgar Filing: HYDROMER INC - Form 10-K

thereof, or any governmental court or tribunal, and any self-regulatory agency, industry group or other governing body or authority.

"Indemnified Party" has the meaning set forth in Section 8(c) below.

"Indemnifying Party" has the meaning set forth in Section 8(c) below.

"Intellectual Property" means (a) inventions (whether patentable or unpatentable, whether or not reduced to practice, and whether or not the subject of any patent applications) and any additions and improvements thereto; (b) patents, patent rights, patent disclosures, utility models, certificates of invention, statutory invention registrations, and applications for any of the foregoing, together with any reissuances, continuations, continuations in part, revisions, extensions, divisions, renewals, or reexaminations of any of the foregoing (each a "Patent"), (c) trademarks, service marks, trade dress, logos, trade names, Internet domain names and URLs, and corporate names, together with any translations, adaptations, derivations, and combinations thereof and

including all goodwill associated therewith, and any applications, registrations, and renewals in connection therewith (each, a "Trademark"); (d) works of authorship in whatever form or medium, any copyrights therein (whether registered or unregistered), and any applications, registrations, and renewals relating thereto (each, a "Copyright"); (e) trade secrets and Confidential Information, including but not limited to ideas, research and development, know-how, formulas, processes, protocol, compositions, manufacturing and production processes and techniques, sterilization processes and validation information, procedures, devices, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals; (f) mask works;

(g) any other proprietary rights in information and technology, including without limitation any pre-clinical and clinical data and information; (h) copies and tangible embodiments of any of the foregoing in whatever form or medium; (i) legal and equitable remedies for past, present, and future infringements, misappropriations, misuses, dilutions, and other violations of any of the foregoing; and (j) rights, title, and interests in and to any of the foregoing provided by any treaty, statute, convention, common law, regulation, or any other Law.

"Inventory" means the finished goods inventory, work-in-process inventory and raw materials (including without limitation, packaging, boxes and labels) related to the Acquired Products set forth on Exhibit A, which Exhibit will be updated as of Closing and as of the Manufacturing Date (or such later date that the Transition Condition is satisfied).

"Laws" means all federal, state, municipal, foreign, and international laws, rules, regulations, codes, statutes, constitutions, ordinances, directives, treaties, proclamations, conventions, and orders, and all judicial, quasi-judicial and administrative and other official interpretations of any of the foregoing.

"License Agreement" shall mean the license agreement attached hereto as Exhibit F.

"Licensed Intellectual Property" shall have the meaning set forth in the License Agreement.

"Liability" means any liability, obligation, debt, demand, claim, expense or commitment (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due).

## Edgar Filing: HYDROMER INC - Form 10-K

"Manufacturing Assets" means that certain equipment, machinery, fixtures, molds, tools, dies and other tangible assets used by Sellers to manufacture Acquired Products set forth on Exhibit A.

"Manufacturing Date" has the meaning set forth in Section 2(c)(ii) below.

"Manufacturing Equipment" has the meaning set forth in Section 7(e)(iv) below.

"Material Adverse Effect" means, with respect to Sellers, an effect or effects which, individually or in the aggregate, (i) is materially adverse to the business, financial condition, assets, or operations of the Sellers' business related to the sale of Acquired Products, (ii) materially affects the Sellers' ability to consummate the Transactions, or (iii) could reasonably have an adverse economic effect on the Acquired Assets of \$50,000 or more, and, with respect to Buyer, an effect or effects which, individually or in the aggregate, materially affects Buyer's ability to consummate the Transactions.

"Ordinary Course of Business" means the ordinary course of business consistent with past custom and practice (including with respect to quantity, frequency and price).

"Parties" collectively refers to Sellers and Buyer, and "Party" refers to Buyer or either of the Sellers individually, as applicable.

"Person" means an individual, a partnership, a limited liability company, limited partnership, a limited liability partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a governmental entity (or any department, agency, or political subdivision thereof).

"Purchase Price" has the meaning set forth in Section 2(c) below.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Sellers' knowledge" is applicable to certain of those warranties and representations set forth in Section 3 of this Agreement or elsewhere in this Agreement, which are subject to the qualification "to Sellers' knowledge" or "to the knowledge of Sellers," or otherwise limited to matters "known" to Sellers. Sellers will be deemed to have "knowledge" of a matter if the executive officers of the Sellers had knowledge of such matter or would have acquired such knowledge had he or she inquired at or prior to that time as to such subject matter to those of Sellers' employees that would be expected to have knowledge of such subject matter in the course of performing their duties for the Sellers.

"Specifications" shall mean Sellers' design, packaging and labeling specifications and quality assurance procedures for the Acquired Products, current as of the Closing, as the same may from time to time thereafter be modified as required by law or as reasonably requested by Buyer or Sellers. "Stent Products" means the grafted biliary stent products listed on Exhibit A hereto.

"Third Party Claim" has the meaning set forth in Section 8(c)(i) below.

"Transaction Documents" means this Agreement, the Bill of Sale, the Assignment of Contracts, the License Agreement, the Sellers' Non-Compete Agreement and any other document, schedule, letter, certificate or agreement attached hereto as an Exhibit or delivered pursuant to this Agreement or in

## Edgar Filing: HYDROMER INC - Form 10-K

connection with the transactions described herein.

"Transactions" means the transactions provided for or contemplated by this Agreement and the other Transaction Documents.

"Transition Condition" means the date upon which Buyer reasonably determines that (i) Buyer can successfully and independently manufacture and produce the Acquired Products in accordance with the standards set forth in Section 7(e)(iv) below, and (ii) Sellers have satisfied its obligations set forth in Section 7 and Section 9 herein.

"Transition Period" means the period beginning on the Closing Date and ending on the date the Transition Condition is satisfied.

### 2. Basic Transactions.

(a) Transactions. On and subject to the terms and conditions of this Agreement:

(i) Purchase and Sale of Acquired Assets. Buyer agrees to purchase from Sellers, and Sellers agree to sell, transfer, convey, assign and deliver to Buyer, title to and ownership of, all of the Acquired Assets at the Closing other than the Regulatory Documentation, for the consideration specified below in this Section 2. Title to the Acquired Assets, except for the Regulatory Documentation, shall pass to Buyer at the Closing. Title to the Regulatory Documentation shall pass to Buyer at such time as the Transition Condition is satisfied. All risk of loss related to the Acquired Assets shall pass to Buyer upon delivery to a mutually agreed upon transportation agent for delivery to Buyer, or if such assets are in the hands of a third party where they are intended to remain, risk of loss shall pass upon transfer of title. The Parties intend for all of the Acquired Assets to be transferred to Buyer, whether owned by Sellers, Sellers' Affiliates or otherwise, and Sellers agree to cause all of the Acquired Assets to be sold, transferred, conveyed, assigned and delivered to Buyer in accordance with the terms of this Agreement.

(ii) Supply Agreement. Sellers agree to manufacture the Acquired Products for, and supply the Acquired Products to, Buyer according to the terms in Section 9 and Exhibit H of this Agreement.

(iii) License Agreement. Sellers agree to license to Buyer the Licensed Intellectual Property pursuant to, and on the terms and conditions set forth in, the License Agreement.

### (b) Assumption/Exclusion of Liabilities.

(i) Assumed Liabilities. Subject to the conditions specified in this Agreement, on the Closing Date, Buyer will assume and agree to pay, defend, discharge and perform as and when due only the liabilities and obligations under the Acquired Contracts ("Assumed Liabilities"), if any, arising or accruing only after the Closing Date, but only to the extent that Sellers' rights and benefits under such Acquired Contracts are validly assigned

to Buyer pursuant to this Agreement. Additionally, "Assumed Liabilities" shall include the Liabilities that relate to the Regulatory Documentation.

(ii) Excluded Liabilities. Notwithstanding anything to the contrary contained in this Agreement, Buyer will not assume or be liable for, and will have no responsibility related to, any Liabilities of Sellers of any kind or nature, other than the Assumed Liabilities.

(iii) Responsibility for Assumed Liabilities. Buyer agrees

## Edgar Filing: HYDROMER INC - Form 10-K

to assume and become responsible for all of the Assumed Liabilities at the Closing, except for those Assumed Liabilities that relate to the Regulatory Documentation. Buyer agrees to assume and become responsible for the Assumed Liabilities related to the Regulatory Documentation upon the date that Buyer can successfully and independently manufacture and produce the Acquired Products in accordance with the standards set forth in Section 7(e)(iv) below.

(c) Consideration Provided by Buyer for Acquired Assets. Subject to the terms and conditions of this Agreement, including, without limitation, the provisions of Section 2(d) below, as total consideration for the Acquired Assets, Buyer shall pay Sellers an aggregate of One Million Six Hundred Thousand Dollars (\$1,600,000) (the "Purchase Price"), as follows:

(i) Buyer shall deliver to Sellers, at the Closing, One Million Sixty-Six Thousand Six Hundred Sixty-Seven Dollars (\$1,066,667.00) by wire transfer in accordance with Sellers' wiring instructions; and

(ii) Buyer shall pay to Sellers Five Hundred Thirty-Three Thousand Three Hundred Thirty-Three Dollars (\$533,333.00) on the earlier of (A) five (5) days following the date that the Transition Condition has occurred, or (B) June 30, 2009 (the "Manufacturing Date").

(d) ConMed Distribution Agreement Conditions. In the event that Sellers are unable to obtain the consent of ConMed to the assignment of the ConMed Agreement to Buyer prior to Closing, then:

(i) Sellers shall provide ConMed written notice of its intent not to renew the ConMed Agreement pursuant to the terms thereof;

(ii) Buyer shall be relieved of its obligation to comply with the covenant to provide the Acquired Products set forth in the last sentence in Section 7(c) below solely with respect to Stent Products; and

(iii) Buyer's obligations with respect to the payment and delivery of the Purchase Price under Section 2(c) above shall be modified such that the portion of the Purchase Price to be delivered at the Closing shall be reduced by Seventy Four Thousand Five Hundred Ninety Four Dollars (\$74,594) and the portion of the Purchase Price to be delivered upon the Manufacturing Date (or such later date as provided in Section 2(c)(ii) above) shall be increased by Seventy Four Thousand Five Hundred Ninety Four Dollars (\$74,594).

(e) Allocation of Purchase Price. The Purchase Price shall be allocated among the Acquired Assets as set forth on Exhibit C attached hereto and made a part hereof. Buyer will allocate the Purchase Price among the Acquired Assets in a reasonable manner in accordance with Section 1060 of the Internal Revenue Code and the regulations thereunder, based on the relative fair market values of the Acquired Assets, which Buyer shall complete and deliver to Sellers within 90 days following the Closing. In the event that Sellers reasonably disagree with the proposed allocation, the Parties will work and negotiate in good faith to resolve any disputes and finalize such allocation as soon as possible thereafter. Buyer and Sellers will file all of their tax returns consistent with the foregoing allocation and will not take any position inconsistent with such allocation on any tax return or in any tax audit or tax-related proceeding.

(f) The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of the Buyer, commencing at 10:00 a.m. local time on the second business day following the satisfaction or waiver of all conditions to the obligations of the Parties to consummate the Transactions (other than conditions with respect to actions the respective Parties will take at the Closing itself) or such other date, time and place as Buyer and Sellers may mutually determine (the "Closing Date"). The

## Edgar Filing: HYDROMER INC - Form 10-K

Parties shall use commercially reasonable efforts to cause the Closing to occur by February 27, 2009.

(g) Deliveries at the Closing. At the Closing, (i) Sellers will deliver to Buyer (or cause its Affiliates to deliver to Buyer) the various certificates, instruments, and documents referred to in Section 5(a) below; (ii)

Buyer will deliver to Sellers the various certificates, instruments, and documents referred to in Section 5(b) below; and (iii) Buyer will deliver to Sellers the consideration specified in Section 2(c)(i) above.

3. Representations and Warranties of Sellers. Except as otherwise set forth in the disclosure schedule delivered by Sellers to Buyer on the date hereof (the "Disclosure Schedule"), each Seller jointly and severally represents and warrants to Buyer on the date hereof and on the Closing Date (as though made on the Closing Date and as though the Closing Date were substituted for the date of this Agreement throughout this Section 3) as follows:

(a) Organization of Seller. Sellers are corporations duly organized, validly existing and in good standing under the laws of the respective jurisdiction of their incorporation. Each Seller has full corporate power and authority to (i) carry on the business in which it is engaged, and (ii) to own and use the properties owned and used by it.

(b) Authorization of Transaction. Each Seller has full corporate power and authority to execute and deliver this Agreement and Transaction Documents to which it is a party and to perform their obligations hereunder and thereunder. The execution, delivery and performance of this Agreement and the Transaction Documents by each Seller and the consummation of the Transactions have been duly and validly authorized by all necessary corporate action on the part of each Seller and no other corporate proceedings on the part of either Seller are necessary to authorize this Agreement or any of the Transaction Documents or to consummate any of the Transactions. This Agreement and the other Transaction Documents to which a Seller is a party, assuming the due authorization, execution and delivery hereof and thereof by Buyer hereto and thereto, constitute the valid and legally binding obligations of such Seller, as applicable, enforceable against such Seller in accordance with their terms and conditions, except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting or relating to the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

(c) Noncontravention. Neither the execution and delivery of this Agreement nor any of the other Transaction Documents to which a Seller is a party, nor the consummation of the Transactions, will (i) violate any Law or other restriction of any Governmental Authority to which a Seller is subject or any provision of the charter or bylaws (or any other governance document) of a Seller or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which a Seller is a party or by which it is bound or to which any of the Acquired Assets is subject (or result in the imposition of any Encumbrance upon any of the Acquired Assets), or (iv) require a Seller to obtain or make any waiver, consent, action, approval or authorization of, or registration, declaration, notice or filing with, any Governmental Authority or private non-governmental third-party. Section 3(c) of the Disclosure Schedule sets forth each consent required from a third party in order for a Seller to consummate the Transactions (including to sell and assign the Acquired Assets to Buyer free and clear of any Encumbrance) or where such consent is required by the terms of an Assumed Contract or other Acquired Assets.

## Edgar Filing: HYDROMER INC - Form 10-K

(d) Title to Assets; Sufficiency of Assets. A Seller owns, and has good and marketable title to, all of the Acquired Assets, free and clear of any Encumbrance or other restriction on transfer. The Acquired Assets are adequate for the uses to which they are being put, have been maintained in accordance with normal industry practice and are in good operating condition and repair (ordinary wear and tear excepted). All of the Inventory being transferred to Buyer as part of the Acquired Assets meets all specifications required of such products and has been properly sterilized and packaged. At the Closing, Sellers will convey to Buyer good and marketable title to all of the Acquired Assets, free and clear of any Encumbrance or other restriction on transfer.

(e) No Adverse Change. Except as set forth on Section 3(e) of the Disclosure Schedule, since January 1, 2008, there has not been any Material Adverse Effect on the business, financial condition, operations, results of operations, or future prospects of Sellers with respect to the business of the Acquired Products. Without limiting the generality of the foregoing, since that date, with respect to the Acquired Products:

(i) No Seller has sold, leased, transferred, or assigned any of the Acquired Assets, other than in the Ordinary Course of Business;

(ii) No Seller has granted any license or sublicense or any rights under or with respect to any Acquired Intellectual Property;

(iii) No Seller has committed to any of the foregoing; and

(iv) No Seller has experienced any damage, destruction, or loss (whether or not covered by insurance) to its tangible Acquired Assets.

(f) Legal Compliance. Each Seller and each of its respective predecessors and Affiliates has complied with all applicable Laws of any Governmental Authority related to the Acquired Assets, except for violations which, in the aggregate, could not reasonably be expected to have a Material Adverse Effect. No Seller has received any written notice or other communication from any Governmental Authority regarding any actual or potential violation of, or failure to comply with, any applicable Laws, as the same related to the Acquired Assets, and no action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand, or notice has been filed or commenced against a Seller or any of its predecessors or Affiliates alleging any failure to so comply.

(g) Intellectual Property.

(i) A Seller owns or has the right to use pursuant to license, sublicense, agreement, or permission (and the details of any such license, sublicense or permission are set forth on the Disclosure Schedule) all Acquired Intellectual Property. A Seller has taken all necessary action to maintain and protect its rights in each item of Acquired Intellectual Property, and the confidentiality of each such item to the extent Seller owns such item, or to the extent Seller does not own such item, to the extent a Seller is obligated to protect such item's confidentiality or other rights a Seller may have in such Acquired Intellectual Property, except where a failure to do so would not have a Material Adverse Effect. No Seller is aware of any information, materials, facts or circumstances, including any information or fact that would constitute prior art, that would render any Registered Intellectual Property invalid or unenforceable.

(ii) No Seller has infringed upon, misappropriated, misused,



## Edgar Filing: HYDROMER INC - Form 10-K

diluted or otherwise violated any Intellectual Property rights of any Person with respect to the Acquired Products, none of the officers or directors (or employees with responsibility for Intellectual Property matters) of the Sellers has ever received any charge, complaint, claim, demand, or notice alleging any such infringement, misappropriation, misuse, dilution or other violation of any Person's Intellectual Property (including, without limitation, any claim that a Seller must license or refrain from using any Intellectual Property of any Person). The Acquired Intellectual Property does not infringe upon, misappropriate, misuse, dilute, or otherwise violate any Intellectual Property rights of any Person. To the best knowledge of the Sellers, no Person is infringing upon, misappropriating, misusing, diluting, or otherwise violating any Acquired Intellectual Property.

(iii) Section 3(g)(iii) of the Disclosure Schedule identifies each Patent, Copyright registration, Trademark registration and other certificate and registration that has been issued to a Seller or any Affiliate of a Seller or any third party with respect to any of the Acquired Intellectual Property, identifies each pending application for a Patent, Copyright registration, Trademark registration, and other certificate and registration that a Seller or any other Person has made with respect to any of the Acquired Intellectual Property, and identifies each license, sublicense, agreement, and other permission which a Seller has granted to any Person with respect to any of the Acquired Intellectual Property (together with any exceptions). Sellers have delivered to Buyer correct and complete copies of all such Patents, Copyright registrations, Trademark registrations, other certificates, registrations, applications, licenses, sublicenses, agreements, and permissions (as amended to date) and has made available to Buyer correct and complete copies of all other written documentation evidencing ownership and prosecution (if applicable) of each such item. With respect to each item of Intellectual Property required to be identified in Section 3(g)(iii) of the Disclosure Schedule:

(A) A Seller possesses all right, title, and interest in and to the item, free and clear of any Encumbrance, license, other restriction, or viable claims of ownership by any Person, except for such licenses, agreements, and other permissions that a Seller has granted to any Person with respect to such item and that also are identified in Section 3(g)(iii) of the Disclosure Schedule;

(B) the item is not subject to any binding outstanding injunction, judgment, order, decree, or other ruling of any Governmental Authority of competent jurisdiction;

(C) the item was validly acquired under applicable Laws and remains valid, enforceable, and subsisting;

(D) no action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand has been initiated is pending or is threatened that challenges the legality, validity, enforceability, use, or ownership of the item;

(E) No Seller has any agreement to indemnify any Person for or against any infringement, misappropriation, misuse, dilution or other violation with respect to the item, except for agreements entered into with suppliers or customers in the Ordinary Course of Business; and

(F) No Seller has committed any act or omission that would result in the abandonment, cancellation, forfeiture, relinquishment, invalidation or unenforceability of the item and Sellers are not aware of any information, facts or circumstances that would otherwise render the item invalid or unenforceable.

(iv) Section 3(g)(iv) of the Disclosure Schedule identifies

## Edgar Filing: HYDROMER INC - Form 10-K

each item of Acquired Intellectual Property that any Person owns and that a Seller uses pursuant to license, sublicense, agreement, or permission (other than off-the-shelf software with a purchase or license price of less than \$5,000). Sellers have delivered to Buyer correct and complete copies of all such licenses, sublicenses, agreements, and permissions (as amended to date). With respect to each item of Acquired Intellectual Property required to be identified in Section 3(g)(iv) of the Disclosure Schedule:

(A) the license, sublicense, agreement, or permission covering the item is legal, valid, binding, enforceable, and in full force and effect;

(B) the consummation of the Transactions and the Parties' performance as required under the Transaction Documents will not affect the respective license's, sublicense's, agreement's, or permission's legality, validity, binding nature, enforceability, or existence, and the same shall remain in full force and effect on identical terms once assigned to Buyer;

(C) no party to the license, sublicense, agreement, or permission is in breach or default, and no event has occurred that with notice or lapse of time would constitute a breach or default or permit termination, modification, or acceleration thereunder;

(D) no party to the license, sublicense, agreement, or permission has informed any other party thereto that it repudiates any provision thereof;

(E) with respect to each sublicense, the representations and warranties set forth in subsections (A) through (D) above are true and correct with respect to the underlying license;

(F) the underlying item of Intellectual Property is not subject to any outstanding injunction, judgment, order, decree, or other ruling of any Governmental Authority of competent jurisdiction;

(G) no action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand has been initiated, is pending, or is threatened that challenges the legality, validity, enforceability, use or ownership of the underlying item of Acquired Intellectual Property;

(H) No Seller has not granted any sublicense or similar right with respect to such license, sublicense, agreement, or permission; and

(I) No Seller is aware of any information, facts, or circumstances that would enable the underlying item of Intellectual Property invalid or unenforceable.

(v) Except as set forth on Section 3(g)(v) of the Disclosure Schedule, all of the employees of the Sellers have entered into invention assignment and confidentiality agreements under which such employees have assigned to a Seller all of their right, title and interest in and to Intellectual Property related to the Acquired Intellectual Property and agreed not to use or disclose, other than for the benefit of Sellers or their successors or assigns, any Confidential Information of Sellers that is included in the Acquired Intellectual Property. Except as set forth on Section 3(g)(v) of the Disclosure Schedule, all independent contractors and consultants of Sellers who participated in the conception, creation, reduction to practice, or other

development of any Acquired Intellectual Property has entered into invention assignment and confidentiality agreements under which such contractors and consultants have assigned to Sellers all of their right, title and interest in

## Edgar Filing: HYDROMER INC - Form 10-K

and to Intellectual Property related to the Acquired Intellectual Property and have agreed not to use or disclose, other than for the benefit of Sellers or their successors or assigns, any Confidential Information of Sellers that is included in the Acquired Intellectual Property. No such employee, independent contractor or consultant has breached any of the provisions of any such agreement.

(vi) Sellers have undertaken their best efforts to enforce their rights in all Acquired Intellectual Property or any Intellectual Property related thereto.

(vii) Except as set forth on Section 3(g)(vii) of the Disclosure Schedule, no filing, response, or payment must be made, within ninety (90) days after the Closing Date, for Sellers to perfect, prosecute, protect, maintain, or renew its rights in or to any item of Acquired Intellectual Property.

(h) Environmental, Health, and Safety Matters. Each Seller and its respective predecessors and Affiliates has complied with all applicable environmental, health, and safety Laws the failure of which to comply with would have an adverse effect on the Acquired Assets or which could create any Encumbrance on the Acquired Assets. Without limiting the generality of the foregoing, each Seller and its respective predecessors and Affiliates has obtained and complied with all permits, certificates, licenses, filings, approvals and other authorizations of any Governmental Authority that are required pursuant to any applicable environmental, health, and safety Laws for the operation of the Acquired Products business of Sellers.

### (i) Contracts.

(i) Section 3(i) of the Disclosure Schedule lists the following contracts and other agreements related to the Acquired Assets to which a Seller is a party and which are being assigned to Buyer as part of the Transactions or which would restrict, affect or impair, in any way, Buyer's ability to manufacture, produce, distribute or sell the Acquired Products following the Closing:

(A) any agreement (or group of related agreements) for the lease of personal property to or from any Person that involves consideration in excess of \$5,000;

(B) any agreement (or group of related agreements) for the purchase or sale of raw materials, commodities, supplies, products, or other personal property, or for the furnishing or receipt of services, the performance of which will extend over a period of more than one year or involve consideration in excess of \$5,000;

(C) any agreement concerning a partnership or joint venture;

(D) any agreement concerning confidentiality or imposing any material restriction on the right of a Seller to compete with any other Person which affects the Acquired Products;

(E) any agreement between a Seller and its Affiliates related to the Acquired Products;

(F) any supply or vendor agreement under which a Seller receives any services, goods, or other items the performance of which involves consideration in excess of \$5,000 related to the Acquired Products;

(G) any agreement under which the consequences of a

## Edgar Filing: HYDROMER INC - Form 10-K

default or termination could have a Material Adverse Effect related to the Acquired Products; and

(H) any agreement affecting the Acquired Intellectual Property.

(ii) Sellers have delivered to Buyer a correct and complete copy of each written agreement listed in Section 3(i) of the Disclosure Schedule (as amended to date). With respect to each such agreement: (A) the agreement is legal, valid, binding, enforceable, and in full force and effect; (B) the agreement will continue to be legal, valid, binding, enforceable, and in full force and effect on identical terms (other than the assignment of such Seller's

rights and obligations to the Buyer) following the consummation of the Transactions; and (C) neither of the Sellers nor the other party or parties to the agreement are in breach or default, no event has occurred which with notice or lapse of time would constitute a breach or default, or permit termination, modification, or acceleration, under the agreement and no Seller has the present expectation or intention of not fully performing all its respective obligations under each such agreement prior to Closing. Where consent is required to the assignment of such contract to Buyer, the applicable Seller has obtained such consent in writing and will deliver a copy of such consent to Buyer prior to Closing as further provided in Section 5(a)(iv) herein. No agreement or contract that is material to the Acquired Assets is not included in the Acquired Contracts.

(j) Litigation. Except as otherwise set forth on Section 3(j) of the Disclosure Schedule, there is no litigation or governmental proceeding or investigation pending or, to Sellers' knowledge, threatened against either Seller affecting any of the Acquired Assets, nor to the Sellers' knowledge has there occurred any event or does there exist any condition on the basis of which any such litigation, proceeding or investigation might properly be instituted against a Seller related to the Acquired Assets. No Seller is in default with respect to any order, writ, injunction, decree, ruling or decision of any court, commission, board or other Governmental Authority related to the Acquired Assets. There are no actions, suits, claims, investigations or proceedings pending or, to Sellers' knowledge, threatened, against a Seller related to the Acquired Assets that would reasonably be expected to result, either in any case or in the aggregate, in a Material Adverse Effect or affect the rights of Buyer in the Acquired Assets or the ability of Buyer to manufacture, distribute, sell or otherwise dispose of the Acquired Products. The foregoing sentences include, without limiting their generality, actions pending or, to Sellers' knowledge, threatened against either Seller involving the employment (prior or present) of any of Sellers' officers' or employees' use of any information or techniques related to the Acquired Assets allegedly proprietary to such officer or employee.

(k) Product Warranty. Except as set forth on Section 3(k) of the Disclosure Schedule, the Acquired Products have been manufactured, sold and delivered by Sellers in conformity with all applicable Laws of all Governmental Authorities, contractual commitments and all warranties to which such products are subject. No Acquired Product manufactured, sold or delivered by Sellers are subject to any guaranty, warranty, or other indemnity beyond the standard terms and conditions of sale of Sellers applicable to such product. Section 3(k) of the Disclosure Schedule includes copies of the Sellers' standard terms and conditions of sale for all Acquired Products.

(l) Product Liability. Sellers do not have any Liability (and, to Sellers' knowledge, there is no basis for any action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against any Seller or its respective Affiliates giving rise to any Liability) arising out of any injury to

## Edgar Filing: HYDROMER INC - Form 10-K

individuals as a result of such individuals' use of any Acquired Product manufactured, sold or delivered by either Seller.

(m) Customers and Suppliers.

(i) During the twelve (12) month period ending on the date hereof, there has not been any material interruption in the provision by Sellers of Acquired Products to customers.

(ii) Section 3(m)(ii) of the Disclosure Schedule contains a list of all suppliers and vendors of the Acquired Products to which Sellers paid or were obligated to pay in excess of \$5,000 during the 12-month period prior to the date hereof, together with complete contact information, list of items supplied and the amount of expense incurred to such vendor or supplier during that period.

(iii) Section 3(m)(iii) of the Disclosure Schedule contains a listing of all joint marketers, distributors, resellers and any other third parties who sell Acquired Products for Sellers, together with complete contact information for each such Person, a description of the relationship and compensation paid to each such Person for such services.

(iv) Section 3(m)(iv) of the Disclosure Schedule contains a list of all customers who have purchased any of the Acquired Products in the last 24 months and their complete order history and contact information.

(n) Pre-Closing Representations.

(i) Operation of Acquired Products Business. Since January 1, 2008, no Seller has engaged in any practice, taken any action, or entered into

any transaction outside the Ordinary Course of Business with respect to the manufacture, distribution or sale of the Acquired Products. Since January 1, 2008, the Inventory has been sold only at normal prices and only to fill existing orders or orders solicited in the Ordinary Course of Business.

(ii) Preservation of Acquired Products Business. Since January 1, 2008, Sellers have used commercially reasonable efforts to keep the business and properties substantially intact with respect to the manufacture, distribution and sale of Acquired Products, including its present relationships with licensors, licensees, vendors, manufacturers, suppliers and customers.

(o) Broker Fees. No Seller has any Liability or obligation to pay any fees or commissions to any broker, finder, agent or investment banker with respect to the Transactions.

4. REPRESENTATIONS AND WARRANTIES OF BUYER. Buyer represents and warrants to Sellers as follows:

(a) Organization of Buyer. Buyer is a corporation duly organized, validly existing, and in good standing under the laws of the State of Utah.

(b) Authorization of Transaction. Buyer has full corporate power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party and to perform its obligations hereunder and thereunder. This Agreement and the other Transaction Documents to which Buyer is a party, assuming the due authorization, execution and delivery hereof and thereof by Sellers and any other parties hereto and thereto, constitute the valid and legally binding obligation of Buyer, enforceable against Buyer in accordance with their terms and conditions, except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting or relating to the enforcement of creditors' rights generally or by equitable

## Edgar Filing: HYDROMER INC - Form 10-K

principles relating to enforceability.

(c) Noncontravention. Neither the execution and the delivery of this Agreement or the other Transaction Documents to which Buyer is a party, nor the consummation of the transactions contemplated hereby and thereby, will (i) violate any Law or other restriction of any Governmental Authority to which Buyer is subject or any provision of its charter or bylaws (or any other governance document) or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which Buyer is a party or by which it is bound or to which any of its assets is subject.

(d) Brokers' Fees. Buyer has no Liability or obligation to pay any fees or commissions to any broker, finder, agent or investment banker with respect to the Transactions.

(e) Financial Status. Buyer has the financial resources and ability to satisfy its financial obligations under this Agreement and to discharge all Assumed Liabilities in accordance with Buyer's obligations in connection therewith.

### 5. CONDITIONS TO CLOSING.

(a) Conditions to Obligation of Buyer. Buyer's obligation to consummate the Transactions in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties set forth in Section 3 above shall be true and correct in all material respects at and as of the Closing Date, except to the extent that such representations and warranties are qualified by the term "material" or contain terms such as "Material Adverse Effect," in which case such representations and warranties (as so written, including the term "material" or "Material Adverse Effect," as applicable) shall be true and correct in all respects at and as of the Closing Date;

(ii) Sellers shall have performed and complied in all material respects with all of their covenants hereunder that are to be performed prior to Closing, except to the extent that such covenants are qualified by the term "material," or contain terms such as "Material Adverse Effect," in which case Sellers shall have performed and complied with all of such covenants (as so written, including the term "material" or "Material Adverse Effect," as applicable) in all respects through the Closing;

(iii) Since the date of this Agreement, there shall not have occurred any Material Adverse Effect with respect to the Acquired Assets that shall not have been cured prior to the Closing Date;

(iv) Sellers shall have received any required authorizations, consents, and approvals referred to in Section 3(c) and Section 3(i)(ii) above, and Sellers, at the Closing, will use best faith efforts to deliver a copy of all such required consents to Buyer;

(v) Sellers may deliver to Buyer a certificate executed by their respective Presidents or Chief Executive Officers to the effect that each of the conditions specified above in Section 5(a)(i)-(iv) is satisfied in all respects;

(vi) no action, suit, or proceeding shall be pending or

## Edgar Filing: HYDROMER INC - Form 10-K

threatened before any court or Governmental Authority or before any arbitrator wherein an unfavorable injunction, judgment, order, decree, ruling, or charge would (A) prevent consummation of any of the Transactions, (B) cause any of the Transactions to be rescinded following their consummation, or (C) affect adversely the right of Buyer to own the Acquired Assets (and no such injunction, judgment, order, decree, ruling, or charge shall be in effect), and no Governmental Authority shall have enacted, issued, promulgated, enforced or entered any injunction, order, decree, ruling or other legal restraint or prohibition (whether temporary, preliminary or permanent) which is then in effect and has the effect of making consummation of the Transactions illegal or prohibiting consummation of the Transactions;

(vii) all regulatory approvals and licenses required to consummate the Transactions shall have been obtained and shall remain in full force and effect and any statutory waiting periods in respect thereof shall have expired or been terminated;

(viii) there shall have been no amendments, supplements or updates to the Disclosure Schedule, the aggregate effects of which could reasonably be expected to result in a Material Adverse Effect;

(ix) Sellers, and the other parties thereto, other than Buyer, shall have executed and delivered at Closing, the

(A) the Bill of Sale attached hereto as Exhibit D (the "Bill of Sale"),

(B) the Assignment and Assumption of Acquired Contracts attached hereto as Exhibit E (the "Assignment of Contracts"),

(C) the License Agreement attached hereto as Exhibit F (the "License Agreement"),

(D) the Non-Compete Agreement with Seller attached hereto as Exhibit G (the "Seller Non-Compete Agreement"); and

(E) all other documents and instruments of assignment necessary to transfer all Acquired Assets to Buyer; and

(x) All actions to be taken by Sellers in connection with consummation of the Transactions and all certificates, opinions, instruments, and other documents required to effect the Transactions will be reasonably satisfactory in form and substance to Buyer.

Buyer may waive any condition specified in this Section 5(a) if it executes a writing so stating at or prior to the Closing.

(b) Conditions to Obligation of Sellers. The obligation of Sellers to consummate the Transactions in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties set forth in Section 4 above shall be true and correct in all material respects at and as of the Closing Date, except to the extent that such representations and warranties are qualified by the term "material" or contain terms such as "Material Adverse Effect," in which case such representations and warranties (as so written, including the term "material" or "Material Adverse Effect," as applicable) shall be true and correct in all respects at and as of the Closing Date;

(ii) Buyer shall have performed and complied in all material respects with all of its covenants hereunder that are to be performed prior to Closing, except to the extent that such covenants are qualified by the term

## Edgar Filing: HYDROMER INC - Form 10-K

"material," or contain terms such as "Material Adverse Effect," in which case

Sellers shall have performed and complied with all of such covenants (as so written, including the term "material" or "Material Adverse Effect") in all respects through the Closing;

(iii) no action, suit, or proceeding shall be pending or threatened before any court or Governmental Authority or before any arbitrator wherein an unfavorable injunction, judgment, order, decree, ruling, or charge would (A) prevent consummation of any of the Transactions, (B) cause any of the Transactions to be rescinded following their consummation, or (C) affect adversely the right of Buyer to own the Acquired Assets (and no such injunction, judgment, order, decree, ruling, or charge shall be in effect), and no Governmental Authority shall have enacted, issued, promulgated, enforced or entered any injunction, order, decree, ruling or other legal restraint or prohibition (whether temporary, preliminary or permanent) which is then in effect and has the effect of making consummation of the Transactions illegal or prohibiting consummation of the Transactions;

(iv) Buyer may have executed and delivered the Assignment of Contracts; and

(v) all actions to be taken by Buyer in connection with the consummation of the Transactions and all certificates, instruments of assumption, opinions, instruments and other documents required to effect the Transactions will be reasonably satisfactory in form and substance to Sellers.

6. PRE-CLOSING COVENANTS. Prior to the Closing Date or termination of this Agreement pursuant to Section 10:

(a) General. Each of the Parties will use all commercially reasonable efforts to take all actions and to do all things necessary, proper or advisable in order to consummate and make effective the Transactions (including the satisfaction, but not waiver, of the conditions to Closing set forth in Section 5 above). These efforts shall include the Parties cooperating with one another to obtain any necessary consents or authorizations from any private party or Governmental Authority necessary in connection with the transfer of the Acquired Assets from Sellers to Buyer

(b) Notices and Consents. Sellers may give any notices to third parties, and shall obtain any third party consents referred to in Section 3(c) above

(c) Operation of Business. Sellers will not engage in any practice, take any action or enter into any transaction outside the Ordinary Course of Business with respect to the Acquired Assets without the consent of Buyer, which shall not be unreasonably withheld. Sellers shall use reasonable commercial efforts to (A) preserve intact the business organization with respect to the Acquired Products in all material respects, (B) preserve the current business relationships of Sellers with customers, vendors, distributors, suppliers, licensors, licensees, contractors and other Persons to the extent Sellers have material business relations with any of such enumerated parties related to the Acquired Products, (C) maintain the Acquired Assets in good repair and condition in all respects (ordinary wear and tear excepted) other than those disposed of in the Ordinary Course of Business, (D) maintain all insurance policies in force as of the date of this Agreement and necessary to the conduct of the Acquired Products business as currently conducted, (E) maintain the books of account and records related to the Acquired Assets in the usual, regular and ordinary manner, and (F) maintain, enforce and protect all of Sellers' rights in the Acquired Intellectual Property in a manner consistent in all respects with past custom and practice. By way of amplification and not limitation, except as



## Edgar Filing: HYDROMER INC - Form 10-K

expressly contemplated by this Agreement or any of the Transaction Documents, and except as otherwise required in order to effect the Transactions, Sellers shall not, between the date of this Agreement and the Closing, directly or indirectly do, or propose to do, any of the following without the prior written consent of Buyer: (H) sell, dispose of or cause an Encumbrance upon, or authorize the sale, disposition or Encumbrance upon, of any portion of the Acquired Assets except in the Ordinary Course of Business, (I) enter into any agreement that is reasonably likely to be materially adverse to the business of Sellers as related to the Acquired Products business, (J) license, assign or otherwise transfer to any Person any rights to any Acquired Intellectual Property or fail to maintain, enforce, defend or protect any Acquired Intellectual Property, (K) settle any action, claim, dispute or suit with any third party or Governmental Authority relating to the Acquired Assets, the Transaction Documents or the Transactions, (L) take, commit to take, or fail to take any action that would (1) make any representation or warranty of Sellers in this Agreement inaccurate in any material respect at, or as of any time prior to, the Closing (except for those representations or warranties that address matters only as of a particular date or only with respect to a specified period

of time, which need only be true and correct in all material respects as of such date or with respect to such period of time), or (2) impair the ability of Sellers or Buyer to consummate the Transactions in accordance with the terms hereof or delay such consummation, or (M) authorize or agree to take and of the foregoing actions prohibited under this Section 6(c).

(d) Full Access. Sellers shall permit representatives of Buyer (including legal counsel and accountants) to have full access at all reasonable times, and in a manner so as not to interfere with the normal business operations of Sellers, to all premises, assets, properties, personnel, books, records, agreements and documents of or pertaining to the Acquired Assets.

(e) Notice of Developments. Each Party shall give prompt written notice to the other Party of any development that would reasonably be expected to result in a Material Adverse Effect on such Party.

(f) No Participation or Solicitation of Competing Transaction. From the date of this Agreement until the Closing or, if earlier, the termination of this Agreement in accordance with its terms, Sellers (whether directly or indirectly through advisors, agents or other intermediaries) will cause their respective Affiliates, officers, directors, advisors, shareholders, representatives and other personnel and agents not to, directly or indirectly, (i) solicit, initiate or knowingly encourage, or take any other action to facilitate, any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, any Acquisition Proposal, (ii) participate or engage in discussions or negotiations with, or disclose or provide any non-public information relating to the Acquired Assets or afford access to the properties, books or records of Sellers related to the Acquired Assets to, any Person that has made an Acquisition Proposal or with or to any Person contemplating making an Acquisition Proposal, or (iii) enter into any agreement or arrangement providing for or relating to an Acquisition Proposal. Sellers shall immediately cease and cause to be terminated and shall cause their respective Affiliates and their respective officers, directors, employees, shareholders, managers, representatives and other personnel and agents, to terminate all existing discussions and negotiations that any such persons conducted heretofore with respect to, or that could reasonably be expected to lead to, an Acquisition Proposal.

(g) Completion of Non-assignable Agreements. Sellers shall use all commercially reasonable efforts to obtain any consent, approval or amendment required to negotiate and/or assign any contract or agreement included in the Acquired Assets, including without limitation the ConMed Agreement, or any other

## Edgar Filing: HYDROMER INC - Form 10-K

Acquired Asset to be Assigned to Buyer hereunder, and Buyer shall use its commercially reasonable efforts to fulfill Sellers' obligations under such contracts. Sellers shall keep Buyer reasonably informed from time to time of the status of the foregoing and Buyer shall cooperate with Sellers in this regard. To the extent that the rights of Sellers under any contract or agreement included in the Acquired Assets, or under any other Acquired Asset to be assigned to Buyer hereunder, may not be assigned without the consent of another Person which has not been obtained prior to Closing, this Agreement shall not constitute an agreement to assign the same if an attempted assignment would be unlawful or would result in a breach of contract. If any such consent has not been obtained or if any attempted assignment would be ineffective or would impair Buyer's rights under the instrument in question so that Buyer would not acquire the benefit of all such rights, then Sellers, to the maximum extent permitted by Law and the instrument, and subject to the provisions of Section 2(d) above with respect to the ConMed Agreement, shall act as Buyer's agent in order to obtain for Buyer the benefits thereunder and the Parties shall cooperate, to the maximum extent permitted by Law and the instrument, with each other in any other reasonable arrangement designed to provide such benefits to Buyer.

7. POST-CLOSING COVENANTS. The Parties agree as follows with respect to the period following the Closing.

(a) General. In case within seven (7) years after the Closing any further action is necessary or desirable to carry out the purposes of the Agreement, each of the Parties will take such further action (including the execution and delivery of such further instruments and documents) as the other Party reasonably may request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor under Section 8 below).

(b) Litigation Support. Subject to the indemnification obligations under this Agreement, in the event and for so long as any Party actively is contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand in connection with (i) any of

the Transactions or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or prior to the Closing involving any of Buyer or Sellers, the other Party will reasonably cooperate with the contesting or defending Party and its counsel in the contest or defense, make available its personnel during normal business hours, and provide such testimony and access to its books and records during normal business hours as shall be reasonably necessary in connection with the contest or defense, all at the sole cost and expense of the contesting or defending Party.

(c) Customers and Vendors. Sellers will not, and will cause their respective Affiliates to not, take any action, or instruct any third party to take any action, that is designed or intended to have the effect of discouraging any licensor, customer, distributor, vendor, supplier, or other business associate of Sellers from maintaining the same business relationships with Buyer after the Closing as such licensor, customer, vendor, supplier, or other business associate of Sellers maintained with Sellers prior to the Closing. Buyer hereby agrees that, for a period beginning on the Closing Date and continuing for twelve (12) months thereafter (and providing that the applicable distributors of the Acquired Products shall have agreed), it shall not decline to fulfill any order for Acquired Products from any customer set forth on Section 3(m)(iv) of the Disclosure Schedule, provided that all such orders are materially similar in size and/or scope to such customer's orders placed with Sellers prior to the Closing Date.

## Edgar Filing: HYDROMER INC - Form 10-K

### (d) Confidentiality.

(i) Sellers shall cause their respective Affiliates, directors,

officers, agents and employees to treat and hold as such all of the Confidential Information in its possession and which relates to the Acquired Assets (hereinafter defined as "Acquired Products Confidential Information"), refrain from using any of the Acquired Products Confidential Information except in connection with this Agreement, and deliver promptly to Buyer, at the request and option of Buyer, all embodiments and copies (in whatever form or medium) of the Acquired Products Confidential Information which are in his, her or its possession, subject to Sellers having the right to retain a copy of such information for record purposes only and so as to satisfy any obligations it has in relation to any regulatory or tax authorities having jurisdiction over Sellers. In the event that Sellers are requested or required (by oral question or request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigative demand, or similar process) to disclose any Acquired Products Confidential Information, Sellers will notify Buyer promptly of the request or requirement so that Buyer may seek an appropriate protective order or waive compliance with the provisions of this Section 7(d)(i). If, in the absence of a protective order or the receipt of a waiver hereunder, Sellers are, on the advice of counsel, compelled to disclose any Acquired Products Confidential Information to any tribunal, Sellers may disclose the Acquired Products Confidential Information to the tribunal; provided, however, that Sellers shall use their reasonable commercial efforts to obtain, at the reasonable request of Buyer, an order or other assurance that confidential treatment will be accorded to such portion of the Acquired Products Confidential Information required to be disclosed as Buyer shall designate.

(ii) Other than in relation to Acquired Products Confidential Information, Buyer shall cause its Affiliates, officers, directors and employees to treat and hold as such all of the Confidential Information of Sellers, refrain from using any of the Confidential Information of Sellers except in the manner and for the purpose that is expressly stated in this Agreement and in connection with the operation of the business of the Acquired Assets, and deliver promptly to Sellers or destroy, at the request and option of Sellers, all embodiments and copies (in whatever form or medium) of the Confidential Information of Sellers which are in his, her or its possession. If Closing does not occur, Buyer shall cause its Affiliates, officers, directors and employees to treat and hold as such all of the Acquired Products Confidential Information of Sellers, refrain from using any of the Acquired Products Confidential Information of Sellers except in connection with this Agreement, and deliver promptly to Sellers or destroy, at the request and option of Sellers, all embodiments and copies (in whatever form or medium) of the Acquired Products Confidential Information of Sellers which are in his, her or its possession. In the event that any such Person is requested or required (by oral question or request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigative demand, or similar process) to disclose any Confidential Information (including Acquired Products Confidential Information in the event that Closing does not occur) of Sellers, that Person will notify Sellers promptly of the request or requirement so that the Sellers may seek an

appropriate protective order or waive compliance with the provisions of this Section 7(d)(ii). If, in the absence of a protective order or the receipt of a waiver hereunder, any such Person is, on the advice of counsel, compelled to disclose any Confidential Information of Sellers to any tribunal, that Person may disclose the Confidential Information of Sellers to the tribunal; provided, however, that the disclosing Person shall use his or its reasonable best efforts to obtain, at the reasonable request of Sellers, an order or other assurance that confidential treatment will be accorded to such portion of the Confidential

## Edgar Filing: HYDROMER INC - Form 10-K

Information required to be disclosed as Sellers shall designate.

(e) Transfer of Assets. The Parties agree to the following with respect to the delivery to Buyer of the Acquired Assets:

(i) Inventory. At such time as Buyer and Sellers mutually agree (but in any event on or prior to the date the Transition Condition is satisfied), Sellers will transfer to Buyer all Inventory. All new Inventory created during the Transition Period shall be manufactured, packaged and supplied by Sellers under the terms and conditions of the supply provisions set forth in Section 9. From and after the Closing, Sellers shall not, directly or indirectly, transfer any Inventory in any manner outside of sales to Buyer pursuant to the supply provision terms and conditions further set forth in Section 9 hereof. Sellers shall promptly notify Buyer of all orders for Acquired Products received from and after the Closing, and forward to Buyer all information related thereto, and all such orders received by Sellers shall be for the account of Buyer.

(ii) Training. During the period beginning on the Closing and ending on the date the Transition Condition is satisfied (the "Transition Period"), at the request of Buyer, Sellers agree to use their commercially reasonable efforts to train Buyer's personnel on manufacturing, producing, packaging, validating and sterilizing the Acquired Products. Sellers shall make their personnel that are experienced and knowledgeable about the Acquired Products available to Buyer for the duration of the Transition Period during normal business hours upon five (5) days advanced written request. Buyer shall be responsible for its own costs and expenses incurred for such training, and the reasonable travel costs and expenses incurred by any of Sellers' personnel pursuant to this paragraph, provided such travel costs and expenses are approved in advance by Buyer. Sellers shall bear their own costs and expenses incurred for training (other than such travel expenses as are approved in accordance with this paragraph).

(iii) Transfer of Acquired Assets. Except as otherwise provided in this Section 7(e), immediately following Closing, Buyer and Sellers shall begin arrangements for the transfer of the Acquired Assets from Sellers to Buyer, on reasonable timing considerations for both Parties, and subject to Buyer's reasonable discretion as to when such transfer shall occur. The Parties shall assure that the timing and logistics related to the transfer of the Acquired Assets shall not materially affect the manufacture of the Acquired Products in a negative manner.

(iv) Design and Building Manufacturing Equipment. Immediately following Closing, Buyer and Sellers shall mutually determine the design and development of the equipment, machinery, tools and dies that is reasonably necessary for Buyer to successfully and independently manufacture, package, validate, and commercially produce the Acquired Products (the "Manufacturing Equipment"). Sellers shall provide Buyer with all necessary information and assistance requested by Buyer in order to assist Buyer in constructing the Manufacturing Equipment, including without limitation, providing Buyer with all existing drawings, specifications, samples, training manuals, vendor information and pricing information related to the Manufacturing Equipment which does not include future generations or new inventions of the Manufacturing Equipment. To the extent Sellers agree to design and/or develop any of the Manufacturing Equipment, the Parties shall enter into a separate statement of work which shall set forth the specific design requirements, payments, and other specifications related to such project. The Parties shall use all commercially reasonable efforts to ensure that the Manufacturing Equipment is fully operational to enable Buyer to successfully and independently manufacture, package, validate, and commercially produce the Acquired Products on or before the Manufacturing Date.

## Edgar Filing: HYDROMER INC - Form 10-K

### 8. REMEDIES FOR BREACHES OF THIS AGREEMENT.

(a) Survival of Representations and Warranties. All of the representations and warranties of Sellers contained in Section 3 of this Agreement shall survive the Closing (even if Buyer knew or had reason to know of any misrepresentation or breach of warranty at the time of Closing) and continue in full force and effect for a period of one (1) year thereafter; except that

the representations and warranties of Sellers contained in Sections 3(a), 3(b) and 3(d) of this Agreement shall survive the Closing and continue in full force and effect until the applicable statute of limitations has run. All of the representations and warranties of Buyer contained in Section 4 of this Agreement shall survive the Closing (even if the Sellers knew or had reason to know of any misrepresentation or breach of warranty at the time of Closing) and continue in full force and effect for a period of one (1) year thereafter, at which point such representations and warranties shall terminate.

#### (b) Indemnification Provisions for Benefit of Buyer and Sellers.

(i) In the event either Seller has breached (or in the event any third party alleges facts that, if true, would mean a Seller has breached) any of its representations and warranties contained in Section 3 of this Agreement or any of its covenants or agreements contained in this Agreement (including, without limitation, the supply agreement provisions set forth in Section 9), and, if there is an applicable survival period pursuant to Section 8(a) above, provided that Buyer makes a written claim for indemnification against a Seller pursuant to Section 8(c) below within such survival period, then Sellers agree, jointly and severally, to indemnify Buyer from and against the entirety of any Adverse Consequences Buyer or its Affiliates may suffer through and after the date of the claim for indemnification (including any Adverse Consequences Buyer may suffer after the end of any applicable survival period) resulting from, arising out of, relating to, or caused by the breach (or the alleged breach). Notwithstanding the foregoing (other than in relation to fraud) the maximum amount that Buyer and its Affiliates may claim under this Section 8(b)(i) shall not exceed \$1,600,000 in the aggregate.

(ii) In the event Buyer breaches any of its representations or warranties contained in Section 4 of this Agreement or any of its covenants or agreements contained in this Agreement (including, without limitation, the supply agreement provisions set forth in Section 9), and, if there is an applicable survival period pursuant to Section 8(a) above, provided that Sellers makes a written claim for indemnification pursuant to Section 8(c) below within such survival period, then Buyer agrees to indemnify Sellers from and against the entirety of any Adverse Consequences Sellers may suffer through and after the date of the claim for indemnification (including any Adverse Consequences Sellers may suffer after the end of any applicable survival period) resulting from, arising out of, relating to, or caused by the breach. Notwithstanding the foregoing, the maximum amount of liability Buyer shall have to Sellers under this Section 7(b)(ii) shall not exceed \$1,600,000 in the aggregate.

#### (c) Matters Involving Third Parties.

(i) If any third party shall notify any Party (the "Indemnified Party") with respect to any matter (a "Third Party Claim") which may give rise to a claim for indemnification against any other Party (the "Indemnifying Party") under this Section 8, then the Indemnified Party shall promptly notify the Indemnifying Party thereof in writing; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder unless (and then solely to the extent) the Indemnifying Party thereby is actually

## Edgar Filing: HYDROMER INC - Form 10-K

prejudiced.

(ii) Any Indemnifying Party will have the right to defend the Indemnified Party against the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party so long as (A) the Indemnifying Party notifies the Indemnified Party in writing within 15 business days after the Indemnified Party has given notice of the Third Party Claim of its intention to contest the Third Party Claim (it being understood that the Indemnifying Party may reserve its rights as to whether or not it in fact is liable to indemnify the Indemnified Party), (B) the Indemnifying Party provides the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnifying Party will have the financial resources to defend against the Third Party Claim and fulfill its indemnification obligations hereunder (including the payment in cash of all fees and costs associated with such defense), (C) the Third Party Claim involves only money damages and does not seek an injunction or other equitable relief, (D) settlement of, or an adverse judgment with respect to, the Third Party Claim is not, in the good faith judgment of the Indemnified Party, likely to establish a precedential custom or practice materially adverse to the continuing business interests of the Indemnified Party, and (E) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently.

(iii) So long as the Indemnifying Party is conducting the defense of the Third Party Claim in accordance with Section 8(c)(ii) above, (A)

the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim, (B) the Indemnified Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party (not to be withheld unreasonably), and (C) the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party (not to be withheld unreasonably), unless the following shall apply (in which case the Indemnifying Party may settle and compromise such Third Party Claim without the prior written consent of the Indemnified Party): (x) there is no finding or admission of any violation of Law or any violation of the rights of any person and no affect on any other claims that may be made against the Indemnified Party; and (y) the sole relief provided is monetary damages that are paid in full in cash by the Indemnifying Party. If the Indemnified Party fails to consent to any settlement or compromise offer, the Indemnifying Party may continue to contest such Third Party Claim and, in such event, (subject always to Section 8(b)(i)) the maximum liability of the Indemnifying Party for such Third Party Claim shall not exceed such settlement or compromise offer.

(iv) In the event any of the conditions in Section 8(c)(ii) above is or becomes unsatisfied, however, (A) the Indemnified Party may defend against, and consent to the entry of any judgment or enter into any settlement with respect to, the Third Party Claim in any manner it reasonably may deem appropriate (and the Indemnified Party need not consult with, or obtain any consent from, any Indemnifying Party in connection therewith), (B) the Indemnifying Party will reimburse the Indemnified Party (with cash) promptly and periodically for the its reasonable costs of defending against the Third Party Claim (including reasonable attorneys' fees and expenses), and (C) the Indemnifying Party will remain responsible for any Adverse Consequences the Indemnified Party may suffer resulting from, arising out of, relating to, or caused by the Third Party Claim to the fullest extent provided in this Section 8.

(d) Characterization of Payments. All indemnification payments under this Section 8 shall be deemed adjustments to the Purchase Price.

## Edgar Filing: HYDROMER INC - Form 10-K

### 9. SUPPLY AGREEMENT.

(a) Supply of Acquired Products. For the duration of the Transition Period, Sellers shall manufacture the Acquired Products for, and supply the Acquired Products to, Buyer, according to the terms set forth in this Section 9 and at the prices equal to Sellers' standard cost of the materials, labor and overhead related to such Acquired Products as more particularly set forth on Exhibit H hereto. Sellers shall use commercially reasonable efforts to maintain consistent and timely shipment of the Acquired Products during the Transition Period, within the minimum and maximum monthly forecasts for Acquired Products set forth on Exhibit H. Buyer shall use commercially reasonable efforts to provide timely order changes and other supply notices, and Sellers shall use commercially reasonable efforts to accommodate and fulfill all such orders, changes and other supply notices provided by Buyer. Notwithstanding any of the foregoing, Buyer shall have the right, exercisable at any time in its sole discretion to terminate the provisions of this Section 9 and to take control of all manufacturing and similar processes related to the Acquired Products.

(b) Manufacture. Sellers shall manufacture, sterilize, package, label and ship the Acquired Products in accordance with the Specifications. For purposes of U.S., European and International regulatory Laws and requirements, Sellers shall be deemed the "Manufacturer" of the Acquired Products distributed in the U.S. during the Transition Period, and Buyer shall be the "Distributor" of the Acquired Products distributed internationally during the Transition Period. The Parties agree that after the Transition Period, Buyer will be responsible to obtain such international regulatory approvals and/or registrations as are necessary to market and sell the Acquired Products under Buyer's label in such jurisdictions outside of the U.S.

(c) Inspection. Sellers shall perform the testing and inspection procedures described in the Specifications as to all Acquired Products prior to shipment to ensure that they conform to the Specifications and will send Buyer a certificate with respect to each shipment. Buyer will inspect all Acquired Products within 30 days after receipt and, except as provided in Section 9(i), Buyer must notify Sellers within 30 days after receipt thereof if it discovers that any of the Acquired Products fail to meet the Specifications. Buyer will return and Sellers will use commercially reasonable efforts to replace the Acquired Products which fail to meet the Specifications within 30 days of Sellers' notification thereof. Sellers will reimburse Buyer for all costs of shipment for the return of defective Acquired Products to Sellers.

(d) Records. Sellers will maintain, and will allow Buyer to examine, upon two (2) days prior written notice to Sellers, its manufacturing and quality assurance records, including lot numbers and other manufacturing documentation necessary to ensure traceability of the Acquired Products and compliance with applicable U.S., European, and international regulatory Laws and requirements. Upon expiration of the Transition Period, Sellers shall deliver copies of all such records to Buyer.

(e) Labeling. Sellers shall print language on the labels of all Acquired Products to be distributed by Buyer in the U.S. that complies in all respects with 21 CFR 801 or any other Governmental Authority requirement which may be applicable from time to time. Sellers shall print language approved by Buyer on the labels of all Acquired Products to be distributed internationally indicating that Sellers are the legal manufacturer outside the U.S. Sellers shall not change the Acquired Products labels without the prior written consent of Buyer. Nothing herein grants Sellers the right to amend or alter any of the Trademarks of the Acquired Intellectual Property or any other Intellectual Property of Buyer without Buyer's prior written consent. As of the Closing, all Acquired Intellectual Property, Trademarks, and other Intellectual Property of

## Edgar Filing: HYDROMER INC - Form 10-K

Buyer related to the Acquired Assets shall remain the sole and exclusive property of Buyer and shall not be used by Sellers for any purpose without Buyer's prior written consent.

(f) Purchases and Pricing. Buyer shall purchase the Acquired Products from Sellers at the prices, and according to the payment, shipping and other terms set forth on Exhibit H attached hereto and incorporated by this reference.

(g) Regulatory Status. Sellers have obtained, and shall maintain during the Transition Period, "Pre-Market Notification" and clearance for use from the United States Food and Drug Administration (the "FDA") for the Acquired Products. Specific registration numbers and supporting documentation shall be made available from Sellers' regulatory department upon request. Sellers and Buyer represent, warrant and agree that they will each comply with all applicable U.S., European and international regulatory Laws and other requirements applicable to their particular roles and responsibilities under this Section 9, including without limitation those Laws and/or other requirements concerning labeling, traceability, reporting and record keeping (e.g. complaints, adverse reactions, recall information). Following the Closing Date, Buyer shall ensure that the Acquired Products are qualified for sale in the U.S. and internationally and shall obtain and own all registrations and approvals.

(h) Regulatory; Complaints; Failure Analysis. The Parties represent and warrant that all complaints and "Medical Device Reporting" ("MDR") shall be performed in compliance with Medical Device Reporting for manufacturing written by the department of Health and Human Services FDA, March 1997, as amended from time to time and other applicable requirements pursuant to the roles and responsibilities hereunder. Sellers will file all reports required by FDA regulations, with duplicate copies to Buyer. Sellers will also maintain and manage a file of all customer complaints received by Buyer and Sellers with respect to the Acquired Products. Upon either Party's receipt of any customer complaint alleging that any Acquired Product is defective or other known information regarding the Acquired Products that may be caused by manufacturing or distribution or that may lead to recall or other regulatory action, each Party will promptly send to the other Party's complaint analysis department a copy of such complaint. If the allegedly defective Acquired Product is returned to Buyer by its customer, Buyer will perform an initial internal failure analysis and may thereafter notify and forward the allegedly defective Acquired Product to Sellers' complaint analysis department and require Sellers to perform an independent failure analysis of the returned Acquired Product(s). Buyer will cooperate with and assist Sellers in submitting any report required by the FDA and will provide Sellers with duplicate copies of all such failure analysis reports, if any. Sellers shall, within 30 days of a written corrective action plan request from Buyer, which shall include all known failure information and samples (if available), provide Buyer with a corrective action plan.

(i) Recalls. If either Buyer or Sellers is required by any regulatory agency or Governmental Authority, or Buyer determines based on its good faith and independent reasonable business judgment, to recall any of the Acquired Products, the non-recalling Party will cooperate and assist in locating and retrieving the Acquired Products to be recalled and providing applicable documentation to the recalling Party in compliance with all applicable U.S., European and International regulatory Laws and requirements. If a recall is directly and solely the result of a Seller's failure to meet the Specifications, and not due to misuse, reuse or reprocessing of the Acquired Products by Buyer or any third party, the Seller shall, at Buyer's option, (A) either (1) replace

all recalled and returned Acquired Products at no cost to Buyer, or (2) reimburse Buyer for the full purchase price actually paid for the recalled and



## Edgar Filing: HYDROMER INC - Form 10-K

returned items, and (B) shall pay all of the reasonable costs incurred by Buyer in performing the recall. If the recall is caused by misuse, reuse or reprocessing of the Acquired Products by Buyer or any third party or by a defect in labeling as requested by Buyer, Buyer shall pay all of the reasonable costs incurred by Sellers in performing the recall or in assisting Buyer to do so.

(j) Quality Assurance Inspections. Buyer may, up to three (3) times during the Transition Period, perform random quality assurance inspections and audits of each Seller's manufacturing facility during regular business hours, upon twenty-four (24) hours advance written notice to such Seller. Sellers will reasonably cooperate with Buyer's inspector and will provide Buyer with copies of all of Sellers' documents which are reasonably required by Buyer to properly perform any such inspection or audit. Sellers shall use commercially reasonable efforts to implement any reasonable recommendations submitted by Buyer as a result of such inspections and audits which are required for Sellers to meet its obligations under this Section 9.

(k) No Change to Acquired Products. Sellers warrant that no changes will be made in the Specifications unless the proposed changes are either approved by Buyer in writing prior to implementation or required by applicable Law.

(l) Quality System Regulation. Sellers will manufacture the Acquired Products in accordance with current quality system regulations for medical devices as mandated by the FDA and in compliance with any and all other applicable Governmental Authority's Laws, including without limitation the requirements of ISO 13485.

(m) Remedies. Each Seller represents and warrants that the Acquired Products will be free from defects in materials and workmanship and will conform in all material respects to the Specifications when delivered. NO SELLER PROVIDES ANY OTHER OR FURTHER WARRANTY, WHETHER EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE, AND SPECIFICALLY DISCLAIMS ANY WARRANTY OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO THE PRODUCTS OR THEIR PERFORMANCE, EFFECTS, OR RESULTS. Notwithstanding the provisions of Section 8 related to minimum or maximum damage amounts and procedural matters, Sellers will replace any Acquired Product found to be defective, provided that Buyer notifies Sellers of such defect within the notice period stated in Section 9(c), upon return of such defective Acquired Product to Sellers and if such defective condition is not the result of misuse, reuse or reprocessing by Buyer or any third party.

(n) Product Liability Insurance. Each Party will, during the Transition Period, maintain adequate amounts product liability insurance coverage to cover the risks and responsibilities hereunder, and in no event shall such product liability coverage be in an amount less than One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) in the aggregate. The Parties shall promptly provide one another with a copy of certificates evidencing such coverage upon written request.

(o) Limitation of Liability. IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR SPECIFIC PERFORMANCE UNDER THIS SECTION 9 OR FOR COSTS OF PROCUREMENT OF SUBSTITUTE PRODUCTS OR SERVICES, LOST PROFITS, OR ANY CONSEQUENTIAL, PUNITIVE, SPECIAL, INCIDENTAL, OR INDIRECT DAMAGES UNDER OR IN CONNECTION WITH THIS SECTION 9, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING WITHOUT LIMITATION NEGLIGENCE OR STRICT LIABILITY). THIS LIMITATION SHALL APPLY NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY.

### 10. TERMINATION.

(a) Termination of Agreement. The Parties may terminate this Agreement as follows:

## Edgar Filing: HYDROMER INC - Form 10-K

(i) Buyer and Sellers may terminate this Agreement by mutual written consent at any time prior to the Closing;

(ii) Buyer may terminate this Agreement by giving written notice to Sellers if the Closing shall not have occurred on or prior to March 31, 2009, by reason of the failure of any condition precedent under Section 5(a) hereof (unless the failure results primarily from Buyer itself breaching any representation, warranty or covenant contained in this Agreement);

(iii) Sellers may terminate this Agreement by giving written notice to Buyer if the Closing shall not have occurred on or prior to March 31, 2009, by reason of the failure of any condition precedent under Section 5(b)

hereof (unless the failure results primarily from any Seller itself breaching any representation, warranty or covenant contained in this Agreement;

(b) Effect of Termination. If any Party terminates this Agreement pursuant to Section 10(a) above, all rights and obligations of the Parties hereunder shall terminate without any liability of any Party to any other Party (except for any liability of any Party then in breach); provided, however, the confidentiality obligations of the Parties under Section 7(d) above shall survive termination.

### 11. MISCELLANEOUS.

(a) Press Releases and Public Announcements. Buyer shall not issue any press release or make any public announcement or comment relating to the fact of or the subject matter of this Agreement without the prior notification to Hydromer. Hydromer shall not issue any press release or make any public announcement or comment relating to the fact of or the subject matter of this Agreement without the prior notification to Buyer.

(b) No Third-Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns with respect to all rights and obligations of such Parties hereunder.

(c) Entire Agreement. This Agreement (including the Disclosure Schedules and the other Exhibits and schedules hereto and the documents and certificates required to be delivered hereby) constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they related in any way to the subject matter hereof.

(d) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party.

(e) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. A facsimile copy of this Agreement or any counterpart hereto shall be valid as an original.

(f) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(g) Notices. All notices, demands or other communications to be

Edgar Filing: HYDROMER INC - Form 10-K

given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given when delivered personally to the recipient or when sent by facsimile followed by delivery by reputable overnight courier service (charges prepaid), one day after being sent to the recipient by reputable overnight courier service (charges prepaid) or five (5) days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid. Any notice, demand or other communication hereunder may be given by any other means (including telecopy or electronic mail), but shall not be deemed to have been duly given unless and until it is actually received by the intended recipient. Such notices, demands and other communications shall be sent to the addresses indicated below:

If to Sellers:

Hydromer, Inc.  
35 Industrial Parkway  
Branchburg, New Jersey 08876  
Attention: President

and

Biosearch Medical Products, Inc.  
35 Industrial Parkway  
Branchburg, New Jersey 08876  
Attention: President

and

Hydromer, Inc.  
35 Industrial Parkway  
Branchburg, New Jersey 08876  
Attention: General Counsel

If to Buyer:

Merit Medical Systems, Inc.  
1600 West Merit Parkway  
South Jordan, Utah 84095  
Attn: XXXX, Chairman and CEO  
Facsimile: (801) 253-1600

and

Merit Medical Systems, Inc.  
1600 West Merit Parkway  
South Jordan, Utah 84095  
Facsimile: (801) 208-4302  
Attn: XXXX, General Counsel

or to such other address, to the attention of such other Person and/or with such other copy or copies as the recipient Party has specified by prior written notice to the sending Party. If any time period for giving notice or taking action expires on a day which is a Saturday, Sunday or legal holiday in the State of Utah (any other day being a "business day"), such time period shall automatically be extended to, the next business day immediately following such Saturday, Sunday or legal holiday.

(h) Governing Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Utah without giving effect to any choice or conflict of law provision or rule (whether of the State of Utah or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Utah.

## Edgar Filing: HYDROMER INC - Form 10-K

(i) Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only by the mutual written consent of Buyer and Sellers. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be valid unless the same shall be in writing and signed by the non-breaching Party, nor shall any such waiver be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

(j) Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(k) Expenses. Buyer and Sellers will each bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby.

(l) Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean "including without limitation." The Parties intend that each representation, warranty, and covenant contained herein shall have independent significance. If any Party has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty, or covenant relating to the same subject matter (regardless of the relative levels of specificity) which the Party has not breached shall not detract from or mitigate the fact that the Party is in breach of the first representation, warranty, or covenant. The use of the neuter, male or female gender in the Transaction Documents shall include all other each of the neuter, male and female gender.

(m) Incorporation of Exhibits and Schedules. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

(n) Specific Performance. Each of the Parties acknowledges and agrees that the other Party would be damaged irreparably in the event any of the provisions of Section 7(d) this Agreement are not performed in accordance with

their specific terms or otherwise are breached. Accordingly, each of the Parties agrees that the other Parties shall be entitled to an injunction or injunctions to prevent breaches of such provisions and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having jurisdiction over the Parties and the matter (subject to the provisions set forth in Section 11(o) below), in addition to any other remedy to which it may be entitled, at law or in equity.

(o) Waiver of Trial By Jury. EACH PARTY HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, TRIAL BY JURY IN ANY LITIGATION IN ANY COURT WITH RESPECT TO, IN CONNECTION WITH, OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE OTHER TRANSACTION DOCUMENTS OR THE VALIDITY, PROTECTION,

## Edgar Filing: HYDROMER INC - Form 10-K

INTERPRETATION, COLLECTION OR ENFORCEMENT HEREOF OR THEREOF. EACH PARTY AGREES THAT THIS SECTION 11(o) IS A SPECIFIC AND MATERIAL ASPECT OF THIS AGREEMENT AND EACH OF THE OTHER TRANSACTION DOCUMENTS AND ACKNOWLEDGES THAT THE OTHER PARTY WOULD NOT HAVE ENTERED INTO THIS AGREEMENT AND CONSUMMATED THE TRANSACTIONS CONTEMPLATED HEREBY IF THIS SECTION 11(o) WERE NOT PART OF THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS.

(p) Transfer Taxes. All transfer, documentary, sales, use, value-added, stamp, registration and other such Taxes and fees (including penalties and interest) incurred in connection with this Agreement or the Transactions must be paid by Sellers when due, and Sellers shall, at their expense, file all necessary tax returns and other documentation with respect to all such transfer, documentary, sales, use, stamp, registration and other taxes and fees.

[remainder of page intentionally left blank; signature page follows]

Edgar Filing: HYDROMER INC - Form 10-K

IN WITNESS WHEREOF, the Parties hereto have executed this Asset Purchase and Supply Agreement on as of the date first above written.

BUYER:

MERIT MEDICAL SYSTEMS, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

SELLERS:

HYDROMER, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

BIOSEARCH MEDICAL PRODUCTS, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT A

ACQUIRED ASSETS

ASSET LIST FOR COAGULATION PROBES PRODUCT LINE

ASSET TYPE	DESCRIPTION USED	LOC.	AGE EST.
------------	------------------	------	----------

-----  
Data Removed

ASSET LIST FOR BILIARY STENTS PRODUCT LINE

ASSET TYPE	DESCRIPTION USED	LOC.	AGE EST.
------------	------------------	------	----------

-----  
Data Removed

STENT INVENTORY AS OF 01/23/2009

-----  
\$XX,XXX

FINISHED GOODS FULL  
STANDARD

\$ XX,XXX

COAGULATION PROBE INVENTORY AS OF 01/23/2009

-----  
\$ XX,XXX

FULL  
STANDARD  
ITEM QUANTITY COST

\$ XX,XXX  
FINISHED GOODS

EXHIBIT B

ACQUIRED INTELLECTUAL PROPERTY

FDA 510K (3)



EXHIBIT C

ALLOCATION OF THE PURCHASE PRICE

[see attached; to be completed following Closing]



EXHIBIT D

BILL OF SALE

[see attached]

EXHIBIT E

ASSIGNMENT AND ASSUMPTION OF ACQUIRED CONTRACTS

Biliary Stents Product Line

ConMed Agreement Distribution Agreement, dated July 15, 2003, entered into by and between Biosearch and C.R. Bard,

Inc., and subsequently assigned to ConMed pursuant to that certain Assignment and Assumption Agreement in the form of a letter dated September 10, 2004, between C.R. Bard, Inc. and ConMed.

Coagulation Probes Product Line

Biosearch Medical Products, Inc. International Distributor Agreement with PriMed Canada Inc. of Calgary Canada, signed March 1, 2003 and renewed for one additional year on July 1, 2008.

Biosearch Medical Products, Inc Distributor Agreement with Endochoice, Inc. of Lawrenceville, GA signed May 2, 2008 and expires December 31, 2012.

EXHIBIT F  
LICENSE AGREEMENT  
[see attached]



NON-COMPETITION AGREEMENT

[see attached]

EXHIBIT H

SUPPLY AGREEMENT PRICING AND TERMS

HYDROMER TRANSFER PRICING TO MERIT

BILIARY STENT & COAGULATION PROBE

PACKAGED/STERILE UNITS



BETWEEN

FOREFRONT MEDICAL TECHNOLOGY (PTE) LTD  
("Purchaser")

AND

BIOSEARCH MEDICAL PRODUCTS, INC.  
("Vendor")

-----

ASSET TRANSFER AGREEMENT

---

RAJAH & TANN LLP  
Transnational Legal Solutions  
4 Battery Road  
#26-01 Bank of China Building  
Singapore 049908  
Tel: 65 6535 3600  
Fax: 65 6538 8598  
E-mail: [info@rajahtann.com](mailto:info@rajahtann.com)  
Website: [www.rajahtann.com](http://www.rajahtann.com)

CONTENTS

1	DEFINITIONS AND INTERPRETATION .....	1
2	CONDITIONS .....	3
3	TRANSFER OF SALE ASSETS.....	4
4	CONSIDERATION .....	5
5	ARRANGEMENTS PENDING COMPLETION .....	5

Edgar Filing: HYDROMER INC - Form 10-K

6	COMPLETION.....	6
7	CONFIDENTIALITY.....	8
8	REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS .....	9
8A	INDEMNITY .....	10
9	RESTRICTIVE COVENANTS .....	11
10	MISCELLANEOUS .....	12
	SCHEDULE 1.....	16
	SCHEDULE 2.....	18
	SCHEDULE 3.....	19
	SCHEDULE 4.....	20

Edgar Filing: HYDROMER INC - Form 10-K

i

ASSET TRANSFER AGREEMENT

THIS AGREEMENT is made this \_\_\_\_\_ of 2009.

BETWEEN:

(1) FOREFRONT MEDICAL TECHNOLOGY (PTE) LTD (Company Registration Number: 200002787K), a company incorporated in Singapore and having its registered office at 35 Joo Koon Circle Singapore 629110 (the "Purchaser");

AND

(2) BIOSEARCH MEDICAL PRODUCTS, INC. (Company Registration Number: NJ #0100004118), a company incorporated in New Jersey, the United States of America, and having its registered office at 35 Industrial Parkway, Somerville, NJ 08876 (the "Vendor").

WHEREAS:

Subject to the terms and conditions of this Agreement, the Vendor shall sell / transfer / novate / assign (as the case may be) the Sale Assets to the Purchaser and the Purchaser shall acquire the title, rights, interests, benefits, claims, demands and liabilities whatsoever accruing or subsisting in connection with the Sale Assets at the Effective Date free from all liens, charges, mortgages, trusts and encumbrances whatsoever (the "Transfer").

IT IS AGREED as follows:

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement, the Schedules and the Appendices, unless the context otherwise requires, the following expression shall have the meaning set out against them:

'Business' means the business of the Vendor relating to or in connection with the Sale Assets which will be carried on by the Purchaser following Completion of this Agreement, limited to the manufacture and sale of Naso-gastric and Jejunostomy Enteral Feeding Catheters. For the avoidance of doubt, it is agreed between the Parties that the use of Hydromer coatings on devices manufactured by others is understood to be not part of the Business.

'Business Day' means any day other than a Saturday, Sunday or a gazetted public holiday in Singapore;

'Coating Services' means the Vendor's other business of applying and/or licensing Hydromer coatings and/or services to other medical device entities for use on their medical devices;

'Completion' means completion of the Transfer as specified in Clause 6;

## Edgar Filing: HYDROMER INC - Form 10-K

'Completion Date' means the completion date as specified in Clause 6.1;

1

"Confidential Information" means any information which is proprietary and confidential to a party including but not limited to the terms and conditions of this Agreement, information concerning or relating in any way whatsoever to its distributorship arrangements, principals, any of the trade secrets or confidential operations, processes or inventions carried on or used by a party, any information concerning the organisation, business, finances, transactions or affairs of a party, dealings of a party, secret or confidential information which relates to the business or party or any of its principals', clients' or customers' transactions or affairs, any party's technology, designs, documentation, manuals, budgets, financial statements or information, accounts, dealers' lists, customer lists, marketing studies, drawings, notes, memoranda and the information contained therein, any information therein in respect of trade secrets, technology and technical or other information relating to the development, manufacture, clinical testing, analysis, marketing, sale or supply or proposed development, manufacture, clinical testing, analysis, marketing, sale or supply of any products or services by a party, and information and material which is either marked confidential or is by its nature intended to be exclusively for its knowledge of the recipient alone;

'Contracts' means the contracts identified in Schedule 3;

'Effective Date' means the date of this Agreement;

'Encumbrance' means any form of legal, equitable, or security interests, including but not limited to any mortgage, assignment of receivables, debenture, lien, charge, pledge, title retention, right to acquire, security interest, hypothecation, option, right of first refusal, any preference arrangement (including title transfers and retention arrangements or otherwise) any other encumbrance or condition whatsoever or any other arrangements having similar effect;

'Escrow Account' has the meaning ascribed to it at Clause 4.2b below;

'Escrow Agreement' means the agreement substantially in the form at Schedule 5 hereto to be entered into between the Parties and the

## Edgar Filing: HYDROMER INC - Form 10-K

Escrow Agent setting out the escrow arrangement as described at Clause 4.2b below;

'Escrow Amount' has the meaning ascribed to it at Clause 4.2b below;

'Fixed Assets' means the Vendor's fixed assets, plant, machinery and tools to be acquired by the Purchaser as identified in Schedule 1, including the Raw Material Assets;

'Hydromer non-exclusive License Agreement' means the agreement between Hydromer, Inc. and the Purchaser to authorize the non-royalty bearing use of the specified Hydromer formula for use on the Products manufactured by Purchaser;

'Intellectual Property' means the patents, knowhow, trade secrets and other confidential information, registered designs, copyrights, design rights, trade marks, service marks, business names, registrations of and applications to register any of the aforesaid items, rights in the nature of any of the aforesaid items in any country, rights in the nature of unfair competition rights and rights to sue for passing off as identified in Schedule 4;

'Manufacturing Supply Agreement' is the agreement that specifies the transfer pricing to Purchaser by Vendor for the Product and/or assemblies during the Manufacturing Transition Period.

2

'Manufacturing Transition Period' means the 90 day period after this Agreement is signed, during which certain mutually agreed Product and/or assemblies will continue to be manufactured by Vendor pending Purchaser's absorption of such operations and approval by Bard Access Systems, Inc. and Conmed Endoscopic Technologies, Inc.

'Parties' means collectively, the Vendor and the Purchaser, and 'Party' means any one of them;

'Products' means Naso-gastric and Jejunostomy Enteral Feeding Catheters;

'Raw Material Assets' are used to make up the product assembly and on-sold to the customer and are listed on Schedule 2.

'S\$' means the lawful currency of the Republic of Singapore;

'Sale Assets' mean all of the Fixed Assets, Intellectual Property and Contracts as identified in the respective Schedules to this Agreement; and

'Transfer' has the meaning ascribed to it at the Recital above.

## Edgar Filing: HYDROMER INC - Form 10-K

- 1.2.1 The headings are inserted for convenience only and shall not affect the construction of this Agreement.
- 1.2.2 Expressions in the singular form shall include the plural and vice versa, and all references to the masculine gender shall include the female and neuter genders and vice versa. Persons shall include corporations.
- 1.2.3 References to the 'Agreement' means this agreement as it may be amended, modified or supplemented from time to time.
- 1.2.4 Any reference in this Agreement to 'Clauses' and 'Schedules' and 'Recitals' are to the clauses and schedules and recitals in this Agreement.
- 1.2.5 Any reference to a statutory provision shall include such provision as from time to time modified, amended or re-enacted so far as such modification, amendment or re-enactment applies or is capable of applying to any transaction entered into hereunder.
- 1.2.6 References in this Agreement to any agreement or document including this Agreement shall include such agreement or document as from time to time amended, modified, varied, novated, supplemented or replaced, unless the context shall otherwise require.

## 2 CONDITIONS

### 2.1 Conditions Precedent

This Agreement is conditional upon the following:

- (a) the completion of a legal due diligence exercise by the Purchaser on the Sale Assets and the results of such exercise being reasonably satisfactory to the Purchaser;

3

- (b) the novation or assignment (as the case may be) of the Contracts from the Vendor to the Purchaser and all approvals and consents as may be necessary in connection with the novation or assignment (as the case may be) being obtained and effective on Completion Date and further that the terms of such novation or assignment (as the case may be) are satisfactory to the Purchaser in its reasonable discretion;

## Edgar Filing: HYDROMER INC - Form 10-K

- (c) the transfer to the Purchaser of the rights / title / benefit / interests in the Intellectual Property (the "IP Rights") and, in the Purchaser's sole discretion, the satisfactory registration or perfection of such IP Rights in favor of the Purchaser;
- (d) the execution by the relevant parties on or before the Effective Date of the Manufacturing Supply Agreement and the Hydromer non-exclusive License Agreement;
- (e) the delivery of the Fixed Assets to the Purchaser in such manner as it may reasonably direct and the written confirmation of the Purchaser confirming its acceptance of such delivery (the "Acceptance Confirmation"), provided always that such written confirmation by the Purchaser shall not be unreasonably withheld; and
- (f) the execution by the Parties on or before the Effective Date of the Escrow Agreement and the payment of the Escrow Amount into the Escrow Account.

### 2.2 Undertaking by the Parties

The Vendor undertakes to use reasonable endeavours to ensure the satisfaction and fulfilment of the conditions specified in Clause 2.1 as soon as practicable and in any event by the Completion Date.

### 2.3 Effect of Non-Fulfilment of Conditions

If any of the conditions in Clause 2.1 is not materially satisfied or fulfilled or waived by the Purchaser by the Completion Date or such later date as may be agreed between the Parties, the Purchaser shall be entitled by notice in writing to the Vendor to terminate this Agreement in which event this Agreement shall ipso facto cease and determine and save unless otherwise expressly provided or in respect of any antecedent breach, none of the Parties shall have any claim against the other for costs, damages, compensation or otherwise. Without limiting the generality of the foregoing and solely for the avoidance of doubt the Parties' obligations under Clause 7 shall survive the termination of this Agreement.

## 3 TRANSFER OF SALE ASSETS

### 3.1 Transfer

Subject to the terms and conditions of this Agreement, it is hereby agreed between the Parties that the Vendor shall sell / transfer / novate / assign (as the case may be) the Sale Assets to the Purchaser and the Purchaser shall acquire the title, rights, interests, benefits, claims, demands and liabilities whatsoever accruing or subsisting in respect of or in connection with the Sale Assets at the Effective Date free from all Encumbrances.

### 3.2 Passing of Title and Risk



The title, rights, interests, benefits, claims, demands and liabilities in the Sale Assets shall be deemed to have passed to the Purchaser on Effective Date. Save as provided at Clause 5.1(c) below, the Fixed Assets shall remain at the risk of the Vendor until Completion.

4           CONSIDERATION

4.1         Consideration

The Parties hereby agree that the consideration for the Transfer shall be the sum of US\$800,000.00 (the "Purchase Consideration") payable by the Purchaser to the Vendor in accordance with Clause 4.2 below.

4.2         Payment Method

Subject to the terms of this Agreement, the Purchase Consideration shall be paid as follows:

- (a) on the Effective Date, the Purchaser shall make payment to the Vendor of the sum of US\$400,000.00, being a sum equivalent to 50% of the Purchase Consideration by way of cheque, a cashier's order or bank draft drawn on a licensed bank in Singapore made out in favor of the Vendor or as it may direct; and
- (b) on the Effective Date, the sum of US\$400,000.00, being remainder 50% of the Purchase Consideration (the "Escrow Amount"), shall be deposited into a bank account in Singapore (the "Escrow Account") to be opened by the "Escrow Agent" and such Escrow Amount shall be released to the Vendor on the Completion Date (or otherwise as provided in the Escrow Agreement).

5           ARRANGEMENTS PENDING COMPLETION

5.1         Fixed Assets

(a)         Delivery of Fixed Assets

The Vendor shall be responsible for:

- (i) the preparation of any necessary documentation and the procurement of any necessary consents / approvals (from contractual counterparties or regulatory authorities or otherwise) for the export of the Fixed Assets; and
- (ii) the disassembly and preparation for transportation of the Fixed Assets and such disassembly and preparation being satisfactory to the Purchaser's representative (who shall be present at the disassembly and preparation stages), including if necessary, the delivery of the Fixed Assets to such freight forwarders located in the New Jersey Port U.S.A. as may be

## Edgar Filing: HYDROMER INC - Form 10-K

nominated by the Purchasers; and

- (iii) providing technical support to the Purchaser as and when required during reassembly of the Fixed Assets, provided always that if it is necessary for an employee of the Vendor to travel to the Purchaser's facility, a fee of S\$800 per day per employee will be billed to Purchaser in addition to all reasonably incurred travel and lodging costs. In addition, the Vendor reserves the right to refuse to send employees to locations outside of the United States which it

5

deems as dangerous, provided always that such right of refusal shall not be unreasonably exercised.

The Purchaser shall be responsible for:

- (i) making the arrangements and payment for the transportation of the Fixed Assets; and
- (ii) the preparation of any necessary documentation and the procurement of any necessary consents / approvals (from contractual counterparties or regulatory authorities or otherwise) for the import of the Fixed Assets.

### (b) Acceptance of Delivery

Subject to:

- (i) the reasonable determination by the Purchaser, that the function and/or performance of the Fixed Assets after correct and specified reassembly meets the acceptable performance criteria pursuant to the specifications in the Device Master File/Technical Files, such determination to be made no more than 30 days after delivery of all the Fixed Assets by Vendor to the Purchaser's designated delivery location;
- (ii) all the Fixed Assets (including parts thereof) having been successfully transported and delivered to the Purchaser's designated USA freight forwarder excluding molds located in China as per Schedule 1, the Purchaser shall deliver the Acceptance Confirmation to the Vendor.

### (c) Insurance and Risk

The Purchaser shall be responsible for insuring the Fixed Assets against all necessary risks during the period of delivery of the Fixed

## Edgar Filing: HYDROMER INC - Form 10-K

Assets, commencing on the transportation of the Fixed Assets until the beginning of reassembly.

### 5.2 Intellectual Property

The Vendors shall, before the Completion Date, execute and/or deliver to the Purchaser: (a) originals of any certificate of registration of Intellectual Property, if applicable; (b) if applicable, all documents necessary to register or record the transfer of the IP Rights from the Vendor to the Purchaser and all documents evidencing such record and registrations (whether issued by any government authority, agency or otherwise);

(c) if applicable, all other documents that the Purchaser reasonably requires for the transfer of the IP Rights to the Purchaser and the satisfactory registration or perfection of such IP Rights in favor of the Purchaser.

## 6 COMPLETION

6

### 6.1 Venue

Completion shall take place at such place and time as mutually agreed between the Parties but in any event not later than February 28, 2010, or such other date as the Parties may mutually agree in writing (the 'Completion Date').

### 6.2 Deliverables by the Vendor

In the period from the Effective Date up to the Completion Date, the Vendor shall use its reasonable endeavours to deliver or procure to be delivered or make reasonably available to the Purchaser the following:

- (a) such documents as may reasonably be required by the Purchaser to evidence the Transfer;
- (b) such documents as may reasonably be required by the Purchaser to evidence the proper authority and capacity of the Vendor to enter

## Edgar Filing: HYDROMER INC - Form 10-K

into, exercise its rights and perform and comply with its obligations under this Agreement, including but not limited to a resolution of the board of directors of the Vendor approving the Transfer and authorising the execution of this Agreement for and on behalf of the Vendor by the party who executes it.

### 6.3 Deliverables by the Purchaser

Against the compliance by the Vendor with Clause 6.2 above, the Purchaser shall deliver on Completion to the Vendor:-

- (a) a certified copy of a resolution of the board of directors of the Purchaser approving the Transfer and authorising the execution of this Agreement for and on behalf of the Purchaser by the party who executes it; and
- (b) unequivocal instructions in writing to the Escrow Agent (in such form as may be required by the terms of the Escrow Agreement) to release the Escrow Amount to the Vendor .

### 6.4 Obligations on Completion

Without limitation to the above, on the Completion Date, the Parties shall deliver to each other evidence reasonably satisfactory to the other Party that all relevant conditions stated at Clause 2.1 above to be fulfilled by the Purchaser and / or the Vendor, as the case may be, have been complied with or satisfied and not breached.

### 6.5 Right to Terminate

If the documents required to be delivered to any Party on Completion are not forthcoming for any reason or if, in any other respect, the respective provisions of this Clause 6 are not fully complied with by any Party in a reasonable manner, the other Party shall be entitled (in addition to and without prejudice to all other rights or remedies available to it):

- (a) to elect to terminate this Agreement and upon such termination, save in respect of the Sale Assets and the 50% of the Purchase Consideration paid to the Vendor in accordance with Clause 4.2(a) above, each Party shall, at their own cost, return to the other all documents and assets previously delivered by / to each other in connection

## Edgar Filing: HYDROMER INC - Form 10-K

with this Agreement and the Escrow Amount shall be released to the Purchaser (and both Parties shall instruct the Escrow Agent accordingly);

- (b) to effect Completion so far as practicable having regard to the defaults which have occurred and without prejudice to its rights in respect thereof; or
- (c) defer Completion to a date not more than 30 days after the Completion Date (in which case the provisions of this Clause 6.5 shall apply to Completion as so deferred).

### 7 CONFIDENTIALITY

#### 7.1 Confidential Information to be Kept Confidential

Each Party shall keep confidential and shall procure that its respective employees, agents and nominees keep confidential all Confidential Information, and shall not, and shall procure that its respective employees, agents and nominees shall not, use or disclose such Confidential Information except as permitted by law, or with the written consent of the other Parties, or in accordance with the order of a court of competent jurisdiction, or until the recipient of such Confidential Information can reasonably demonstrate:

- (a) that it is or part of it is, in the public domain (other than as a result of disclosure in violation of its obligation pursuant to this Clause 7.1), whereupon, to the extent that it is public, this obligation shall cease;
- (b) that it is required to be furnished to the bankers or investors or potential investors of any of the Parties or to any regulatory agencies as part of a public flotation exercise involving such Party;
- (c) that disclosure of Confidential Information is or becomes required by operation of applicable law including without limitation, pursuant to court proceedings, court order, applicable stock exchange or governmental regulation or otherwise by legal process (but only to the extent so required); or
- (d) that Confidential Information is disclosed pursuant to the rules of any applicable stock exchange, and in all such cases, this obligation shall cease but only to the extent required under the respective circumstances.

#### 7.2 Parties to Minimise Risk of Disclosure

The Parties shall take all reasonable steps to minimise the risk of disclosure of Confidential Information, by ensuring that only those of their directors, employees, servants and agents whose duties will require them to possess any of such information shall have access thereto, and that they shall be instructed to treat the same as confidential.

#### 7.3 Parties not to use Confidential Information

Each of the Parties will not use, either while it is a Party to this Agreement or 10 years thereafter, in a manner prejudicial or detrimental to the interests of either Party, any Confidential Information.

7.4 Obligations in this Clause to Enure

The obligations contained in this Clause shall enure, even after the termination of this Agreement, without limit in point of time except and until any Confidential Information falls within the provisions of Clauses 7.1.1(a), (b), (c) and (d).

8 REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

8.1 Purchaser's Representations, Warranties and Undertakings

The Purchaser hereby warrants represents and undertakes to and for the benefit of the Vendor as follows:

- (a) the Purchaser has full power and authority to enter into, exercise its rights and perform and comply with its obligations under this Agreement;
- (b) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) in order to:
  - (i) enable the Purchaser to lawfully enter into, exercise its rights and perform and comply with its obligations under this Agreement; and
  - (ii) ensure that those obligations are valid, legally binding and enforceable, have been taken, fulfilled and done;
- (c) upon execution of this Agreement, the respective obligations of the Purchaser hereunder shall be legally valid, binding and enforceable on the Purchaser in accordance with the terms hereof.

8.2 Vendor's Representations, Warranties and Undertakings

The Vendor hereby warrants and represents to and undertakes to and for the benefit of the Purchaser as follows:

- (a) during the Manufacturing Transition Period to provide the Purchaser with such support and assistance as the Purchaser may require in relation to the operation of the Fixed Assets, including but not limited to the secondment of employees to the Purchaser on such terms to be agreed between the Parties, which terms shall include the particulars indicated at Clause 5.1 above;

## Edgar Filing: HYDROMER INC - Form 10-K

- (b) it shall do all that is necessary to procure the novation or assignment (as the case may be) of the Contracts from the Vendor to the Purchaser on terms satisfactory to the Purchaser in its reasonable discretion, including providing reasonable assistance to the Purchaser with fulfilling the audit requirements imposed by Bard Access Systems, Inc. and Conmed Endoscopic Technologies, Inc.;
- (c) the Vendor has full power and authority to enter into, exercise its rights and perform and comply with its obligations under this Agreement; and
- (d) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) in order to:

9

- (i) enable the Vendor to lawfully enter into, exercise its rights and perform and comply with its obligations under this Agreement; and
  - (ii) ensure that those obligations are valid, legally binding and enforceable, have been taken, fulfilled and done;
- (e) upon execution of this Agreement, the respective obligations of the Vendor hereunder shall be legally valid, binding and enforceable on the Vendor in accordance with the terms hereof;
- (f) the Vendor has full beneficial title to the Sale Assets free from any Encumbrance;
- (g) the Vendor is not aware of any circumstances whereby following a change in the ownership or control of the Business the principal counterparties or customers of the Business would cease to remain counterparties or customers in respect of the Business to the same extent and of the same nature as prior to the date hereof; and
- (h) save as disclosed to the Purchaser, the Transfer of the Sale Assets in accordance with this Agreement will not:
  - (i) contravene, conflict with, or result in a violation of, or give any authority or other person the right to challenge the transfer or to exercise any remedy or obtain any relief under, any legal requirement or any order to which the Vendor, the Business or any of the Sale Assets may be subject; or

## Edgar Filing: HYDROMER INC - Form 10-K

- (ii) result in the imposition or creation of any Encumbrance or liability upon or with respect to the Business or the Sale Assets.

### 8.3 Representations, Warranties and Undertakings to be Separate

The representations, warranties and undertakings given under or pursuant to this Clause 8:

- (a) shall be separate and independent and shall not be limited by anything in this Agreement;
- (b) shall be fulfilled down to, and will be true and correct in all respects and not misleading at the date of Completion as if they had been entered into afresh; and
- (c) shall not in any respect be extinguished or affected by any other event or matter whatsoever, except by a specific and duly authorised written waiver or release by the relevant party for whose benefit the representation, warranty and undertaking was given.

### 8A INDEMNITY

#### 8A.1 Mutual Indemnity

Notwithstanding anything in this Agreement, each Party shall indemnify and keep the other Party indemnified (even after termination of this Agreement) against any and/or all liabilities, expenses, damages and costs of all demands, actions and other proceedings against the other Party (including legal costs on a full indemnity basis) arising directly or indirectly as a result of or in connection with any breach, delay or non-performance by the first Party of its obligations, whether express or implied, under this Agreement and the parties also agree that,

10

notwithstanding the generality of the foregoing, the indemnity contained in this Clause 8A shall extend to cover any and/or all liabilities, expenses, damages and costs of all demands, actions and other proceedings against the Purchaser (including legal costs on a full indemnity basis) arising in connection with the Contract.

#### 8A.2 Validity and Enforceability of Indemnity

For the avoidance of any doubt, the Parties hereby agree that the validity and enforceability of this Clause 8A shall not be impaired or diminished or discharged or affected by:-



## Edgar Filing: HYDROMER INC - Form 10-K

- (a) any delay, time, indulgence, forbearance, waiver, release, discharge, compromise or consent at any time given or granted by either Party;
- (b) any amendment or variation from time to time made to this Agreement; and
- (c) the illegality or invalidity or unenforceability of any provision in this Agreement.

### 8A.3 Release

Any obligation or liability of either Party under this Clause 8A may in whole or in part be released, compounded or compromised by a Party in its absolute discretion without in any way prejudicing or affecting its rights against the other Party under the same or a like obligation or liability.

## 9 RESTRICTIVE COVENANTS

### 9.1 Definitions

In this Clause, the following terms shall have the following meanings respectively, namely:

- (a) 'Prohibited Period' means the period commencing on the day immediately following the Effective Date and ending on the third anniversary of the Completion Date;
- (b) 'Prohibited Territorie' means worldwide including all territories in which the Purchaser carries on business from time to time;
- (c) 'Relevant Capacity' means, in relation to the Vendor and or any company related to or associated with it (each a "Vendor Group Company"), for its own account or for that of any person, firm or company and whether through the medium of any company, corporation or any other entity controlled by it (for which purpose there shall be aggregated with its shareholding or ability to exercise control the shares held or controlled by any person connected with or any company related to the Vendor) or as principal, partner, director, employee, consultant or agent.

### 9.2 Non-Competition

The Vendor hereby further jointly and severally undertake with the Purchaser and its successors in title that they will not, and will procure that no Vendor Group Company will, in any Relevant Capacity during the Prohibited Period:

- (a) be directly or indirectly employed or engaged in each of the Prohibited Territories in any business which is of the same as to the Business save unless such likelihood of competition is objectively unforeseeable during the Prohibited Period;
- (b) directly or indirectly carry on in each of the Prohibited Territories for its own account either alone or in partnership (or be concerned in any Relevant Capacity in any corporation engaged in) any business which is of the same or similar type to the Business or is likely to be in competition with the Business or be concerned or interested in the Prohibited Territories in any such business save for the holding of or trading in (i) less than 20 per cent. of the outstanding share capital of a corporation the shares of which are listed on any stock exchange or (ii) any investment funds, including without limitation, investments in venture capital, mutual funds or bonds provided always that this restriction shall not apply in respect of any business arrangement concerning the Coating Services by the Vendor;
- (c) directly or indirectly assist with technical advice or in any other way any person, firm or company engaged in each of the Prohibited Territories in any business which is of the same or similar type to the Business or is likely to be in competition with the Business, save unless such likelihood of competition is objectively unforeseeable during the Prohibited Period provided always that this restriction shall not apply in respect of any business arrangement concerning the Coating Services by the Vendor;
- (d) directly or indirectly canvass or solicit in competition with the Business the custom of any person, firm or company who has within three (3) years prior to the Effective Date been a customer of the Vendor (in connection with the Business) or the Purchaser provided always that this restriction shall not apply in respect of any business arrangement concerning the Coating Services by the Vendor; or
- (e) directly or indirectly induce or seek to induce any person which is an employee of the Purchaser during the Prohibited Period to become employed, whether as employee, consultant or otherwise, by the Vendors or by any person, firm or company engaged in any business which is of the same or similar type to the Business or is likely to be in competition with the Business.

9.3 Reasonableness

While the restrictions set out in Clause 9.2 are considered by the Parties to be reasonable in all the circumstances and no greater than is reasonable and necessary for the protection of the Purchaser, it is agreed that if any one or more of such restrictions shall either taken by itself or themselves together be adjudged to go beyond what is reasonable in all the circumstances for the protection of the Purchaser's legitimate interest but would be adjudged reasonable if any particular restriction or restrictions were deleted or if any part or parts of the wording thereof were deleted, restricted or limited in any particular manner then the said restrictions shall apply with such deletions, restrictions or limitations, as the case may be.

## Edgar Filing: HYDROMER INC - Form 10-K

### 10 MISCELLANEOUS

#### 10.1 Entire Agreement

This Agreement (together with any documents referred to herein or executed contemporaneously by the Parties in connection herewith) embodies all the terms and conditions agreed upon between the Parties as to the subject matter of this Agreement and

12

supersedes and cancels in all respects all previous agreements and undertakings, if any, between the Parties with respect to the subject matter hereof, whether such be written or oral.

#### 10.2 Schedules to this Agreement

The Schedules to this Agreement and the provisions contained therein shall have the same force and effect as if set out in the body of this Agreement.

#### 10.3 Release

Any liability to any Party under this Agreement may in whole or in part be released, compounded or compromised, or time or indulgence given, by it in its absolute discretion as regards the other Party under such liability without in any way prejudicing or affecting its rights against such other Party.

#### 10.4 Indulgence, Waiver, Etc.

No failure on the part of either Party to exercise and no delay on the part of such Party in exercising any right hereunder will operate as a release or waiver thereof, nor will any single or partial exercise of any right under this Agreement preclude any other or further exercise of it or any other right or remedy.

#### 10.5 Continuing Effect of Agreement

All provisions of this Agreement shall not, so far as they have not been performed at Completion, be in any respect extinguished or affected by Completion or by any other event or matter whatsoever and shall continue in full force and effect so far as they are capable of being performed or observed.

#### 10.6 Successors and Assigns

This Agreement shall be binding on and shall enure for the benefit of each of the Parties' successors and assigns. Any reference in this Agreement to any of the Parties shall be construed accordingly.

## Edgar Filing: HYDROMER INC - Form 10-K

### 10.7 Time of Essence

Any time, date or period mentioned in any provision of this Agreement may be extended by mutual agreement between the Parties in accordance with this Agreement or by agreement in writing but as regards any time, date or period originally fixed or any time, date or period so extended as aforesaid time shall be of the essence.

### 10.8 Further Assurance

At any time after the Effective Date, each Party shall, and shall use its best endeavours to procure that any necessary third party shall, execute such documents and do such acts and things as the other Party may reasonably require for the purpose of giving to such other Parties the full benefit of all the provisions of this Agreement.

### 10.9 Remedies

No remedy conferred by any of the provisions of this Agreement is intended to be exclusive of any other remedy which is otherwise available at law, in equity, by statute or otherwise, and each and every other remedy shall be cumulative and shall be in addition to every other

13

remedy given hereunder or now or hereafter existing at law, in equity, by statute or otherwise. The election of any one or more of such remedies by any Party shall not constitute a waiver by such Party of the right to pursue any other available remedies.

### 10.10 Costs and Expenses

Each Party shall bear its own legal, professional and other costs and expenses incurred by it in connection with the negotiation, preparation or completion of this Agreement and the Transfer.

### 10.11 Severability of Provisions

If any provision of this Agreement is held to be illegal, invalid or unenforceable in whole or in part in any jurisdiction, this Agreement shall, as to such jurisdiction, continue to be valid as to its other provisions and the remainder of the affected provision; and the legality, validity and enforceability of such provision in any other jurisdiction shall be unaffected.

### 10.12 Communications

## Edgar Filing: HYDROMER INC - Form 10-K

### 10.12.1 Notices To Be In Writing

All notices, demands or other communications required or permitted to be given or made hereunder shall be in writing and delivered personally or sent by prepaid registered post with recorded delivery, or by facsimile transmission addressed to the intended recipient thereof at its address or at its facsimile number, and marked for the attention of such person (if any), designated by it to the other Parties for the purposes of this Agreement or to such other address or facsimile number, and marked for the attention of such person, as a Party may from time to time duly notify the other in writing.

### 10.12.2 Contact Addresses And Numbers

The addresses and facsimile numbers of the Parties for the purpose of this Agreement are specified below:

The Vendor  
-----

Address : Biosearch Medical Products, Inc ..,  
35 Industrial Parkway,  
Branchburg, NJ, 08876, USA  
Attention : President  
Martin von Dyck  
Facsimile No. : USA 908-722-5024

The Purchaser  
-----

Address : Forefront Medical Technology (Pte) Ltd  
35 Joo Koon Circle Singapore 629110  
Attention : Chief Executive Officer  
Facsimile No. : +65 63493878

### 10.12.3 Deemed Delivery Date

Any such notice, demand or communication shall be deemed to have been duly served (if delivered personally or given or made by facsimile) immediately or (if given or made by letter) two (2) Business Days after posting and in proving the same it shall be sufficient to show that personal delivery was made or that the envelope containing such notice was properly addressed,

## Edgar Filing: HYDROMER INC - Form 10-K

and duly stamped and posted or that the facsimile transmission was properly addressed and despatched.

### 10.13 Counterparts

This Agreement may be signed in any number of counterparts, all of which taken together shall constitute one and the same instrument. Any Party may enter into this Agreement by signing any such counterpart.

### 10.14 Contracts (Rights of Third Parties) Act (Cap. 53B)

A person who is not a Party to this Agreement shall have no right under the Contracts (Right of Third Parties) Act (Cap. 53B) to enforce any of the terms of this Agreement.

### 10.15 Governing Law and Jurisdiction

This Agreement shall be governed by, and construed in accordance with, the laws of Singapore and the Parties hereby irrevocably submit to the non-exclusive jurisdiction of the courts of Singapore and waive any objection to proceedings in any such court on the grounds of venue or on the grounds that the proceedings have been brought in an inconvenient forum. The submission by the Parties herein shall not affect the right of any Party to take proceedings in any other jurisdiction nor shall the taking of proceedings in any jurisdiction preclude any Party from taking proceedings in any other jurisdiction.

(Remainder of page intentionally left blank)

15

SCHEDULE 1

Asset list for NG-Tube Product Line

Date Removed

Asset list for J-Tube Product Line

Date Removed

This page is blank



17

SCHEDULE 4

Intellectual Property

MOD/SOP's required to manufacture Products to GMP and ISO standards: Contained in Master Device/Technical File.

Drawings of components and assemblies: Contained in Master Device/Technical File.

One (1) Master Device/Technical File for Naso-Gastric Feeding Catheters.

One (1) Master Device/Technical File for Jejunostomy Feeding Catheters.

There are no patents as part of this Agreement.



Edgar Filing: HYDROMER INC - Form 10-K

SCHEDULE 5

ESCROW AGREEMENT

21

IN WITNESS WHEREOF the parties hereto have signed this Agreement on the day and year above written.

SIGNED by [NAME] Mark Samlal )  
for and on behalf of )  
FOREFRONT MEDICAL TECHNOLOGY )  
(PTE.) LTD. )

/s/ Mark Samlal

in the presence of:

-----  
[NAME]

/s/ Gan Ying Hui

-----  
Witness Gan Ying Hui  
Group Financial Controller

SIGNED by [NAME] Martin von Dyck )  
for and on behalf of )  
BIOSEARCH MEDICAL PRODUCTS, )  
Inc. )

/s/ Martin von Dyck

in the presence of:

-----  
[NAME]

/s/ Robert Moravsik

-----  
Witness Vice President  
11/19/07

