



HYDROMER AUDIT COMMITTEE CHARTER

Passed 10/24/2000

(revised 11/19/2003)

1. The Audit Committee shall be composed of at least 3 directors, all which shall be independent directors. At least one of the members shall have accounting or related management expertise. The Treasurer shall be an advisor to the audit committee, shall attend Audit Committee meetings when requested and shall prepare minutes and reports of the Audit Committee for their approval.
2. The members of the Audit Committee shall be appointed by a majority of the full Board of Directors.
3. The members of the Audit Committee shall select a Chairperson, who shall schedule meetings and prepare agendas for these meetings.
4. In its capacity as the communication link between the board of directors as representative of stockholders, on the one hand, and the independent auditors, on the other hand, the Audit Committee has as its prime responsibility at least the following functions:
 - a. To choose, subject to the ratification by the stockholders, the particular persons or firm to be employed by the corporation as its independent auditors;
 - b. To pre-approve all the audit and non-audit services performed for the company by any accounting, auditing or other financial services company. Non-audit services might include financial system design, accounting services, investment advice and all other financial/accounting services not directly related to the annual audit and quarterly review.
 - c. Review and approve, if terms are at "arms length" any transaction between an officer or director and the Company, or any of its subsidiaries or affiliates, to ensure that such "related party" transactions are no more favorable than a similar transaction negotiated with a non-related party.
 - d. To maintain its independence the Audit Committee shall have the authority to employ such other advisors and experts as the committee shall deemed needed and require their attendance at meetings;
 - e. To meet and/or consult with the persons so chosen to be the independent auditors with regard to the plan of audit and receive a statement delineating all relationships between the auditors and the Company to ensure that the auditors are ultimately accountable to the Board of Directors and the stockholders;
 - f. To review, in consultation with the independent auditors, their report of audit, or proposed report of audit, and the accompanying management letter, if any; such review would include all critical accounting policies to be used and all alternative treatments of financial information within GAAP that have been discussed with the Company's management, including the treatment recommended by the auditors;
 - g. To consult with the independent auditors (periodically, as appropriate, out of the presence of management) with regard to the adequacy of internal controls and, if need be, to consult also with the internal auditors (since their report has a strong influence on the quality and integrity of the resulting independent audit).
 - h. To establish procedures for the audit committee to receive in confidence, retain and deal with complaints relating to the Company's financial controls and;
 - i. To prepare a report to the stockholders which shall be included in the proxy statement.
 - j. To review this Charter at least once per year and amend to meet the responsibilities of the Audit Committee.