UNITED GUARDIAN INC
Form 10-Q
November 09, 2018

**U.S. SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

**(Mark One)**

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

**For the quarterly period ended September 30, 2018**

**TRANSITION REPORT PURSUANT TO 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from _________ to _________**

**Commission File Number: 1-10526**

**UNITED-GUARDIAN, INC.** .

**(Exact Name of Registrant as Specified in Its Charter)**

| Delaware | 11-1719724 |
| --- | --- |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |

**230 Marcus Boulevard, Hauppauge, New York 11788**

**(Address of Principal Executive Offices)**

(631) 273-0900
**(Registrant's Telephone Number)**

N/A
**(Former name, former address and former fiscal year, if changed since last report)**

**Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.**

Yes No

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**Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No**

**Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.**

Large accelerated filer
Non-accelerated filer
Accelerated filer
Smaller reporting company
Emerging growth company

**If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.**

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

Yes No

**Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:**

**4,594,319 shares of common stock, par value $.10 per share**

**(as of November 1, 2018)**

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**UNITED-GUARDIAN, INC.**

**INDEX TO FINANCIAL STATEMENTS**


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**Part I. FINANCIAL INFORMATION**

**ITEM 1. Condensed Financial Statements**

**STATEMENTS OF INCOME**

(UNAUDITED)

| | THREE MONTHS ENDED | | **NINE MONTHS ENDED** | |
|---|---|---|---|---|
| | SEPTEMBER 30, | | **SEPTEMBER 30,** | |
| | 2018 | 2017 | 2018 | 2017 |
| Sales: | | | | |
| Gross sales | $3,599,530 | $3,304,489 | $11,407,876 | $10,068,868 |
| Sales allowances and returns | (185,528 ) | (126,697 ) | (515,144 ) | (329,937 ) |
| Net Sales | 3,414,002 | 3,177,792 | 10,892,732 | 9,738,931 |
| Costs and expenses: | | | | |
| Cost of sales | 1,267,076 | 1,110,806 | 4,328,180 | 4,042,015 |
| Operating expenses | 519,330 | 438,257 | 1,577,864 | 1,320,342 |
| Research and development | 98,301 | 159,531 | 291,250 | 507,535 |
| **Total costs and expenses** | 1,884,707 | 1,708,594 | 6,197,294 | 5,869,892 |
| Income from operations | 1,529,295 | 1,469,198 | 4,695,438 | 3,869,039 |
| Other Income (expense): | | | | |
| Investment income | 38,048 | 64,054 | 142,607 | 185,616 |
| Unrealized loss on marketable securities | (16,183 ) | --- | (56,313 ) | --- |
| Realized gain on marketable securities | 115,328 | 50,196 | 2,052 | 54,302 |
| Loss on trade-in of equipment | --- | --- | (12,837 ) | --- |
| **Total other income (expense)** | 137,193 | 114,250 | 75,509 | 239,918 |
| **Income before provision for income taxes** | 1,666,488 | 1,583,448 | 4,770,947 | 4,108,957 |
| Provision for income taxes | 349,964 | 493,125 | 1,001,899 | 1,280,050 |
| Net Income | $1,316,524 | $1,090,323 | $3,769,048 | $2,828,907 |
| **Earnings per common share (Basic and Diluted)** | $0.29 | $0.24 | $0.82 | $0.62 |
| Weighted average shares – basic and diluted | 4,594,319 | 4,594,319 | 4,594,319 | 4,594,319 |

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.

**STATEMENTS OF COMPREHENSIVE INCOME**

(UNAUDITED)

| | **Three months ended** | | **NINE months ended** | |
|---|---|---|---|---|
| | **SEPTEMBER 30,** | | **SEPTEMBER 30,** | |
| | 2018 | 2017 | 2018 | 2017 |
| Net income | $1,316,524 | $1,090,323 | $3,769,048 | $2,828,907 |
| Other comprehensive income: | | | | |
| Unrealized gain on marketable securities | --- | 56,536 | --- | 284,666 |
| Income tax expense related to other comprehensive income | --- | (19,221) | --- | (96,786) |
| Total other comprehensive income, net of tax | --- | 37,315 | --- | 187,880 |
| Total comprehensive income | $1,316,524 | $1,127,638 | $3,769,048 | $3,016,787 |

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.

**BALANCE SHEETS**

**ASSETS**

| | SEPTEMBER 30, 2018 (UNAUDITED) | DECEMBER 31, 2017 (AUDITED) |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 725,420 | $ 724,721 |
| Marketable securities | 9,217,284 | 7,721,568 |
| Accounts receivable, net of allowance for doubtful accounts of $21,220 at September 30, 2018 and December 31, 2017 | 1,688,173 | 1,905,415 |
| Inventories (net) | 1,465,718 | 1,340,523 |
| Prepaid expenses and other current assets | 141,716 | 157,964 |
| Prepaid income taxes | 5,758 | 331 |
| Total current assets | 13,244,069 | 11,850,522 |
| | | |
| Property, plant and equipment: | | |
| Land | 69,000 | 69,000 |
| Factory equipment and fixtures | 4,404,681 | 4,363,978 |
| Building and improvements | 2,794,582 | 2,793,402 |
| Total property, plant and equipment | 7,268,263 | 7,226,380 |
| Less: Accumulated depreciation | 6,404,491 | 6,283,493 |
| Total property, plant and equipment, net | 863,772 | 942,887 |
| | | |
| Other assets (net) | 33,353 | 59,471 |
| TOTAL ASSETS | $ 14,141,194 | $ 12,852,880 |

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.

**BALANCE SHEETS**

(continued)

**LIABILITIES AND STOCKHOLDERS' EQUITY**

| | SEPTEMBER 30, 2018 (UNAUDITED) | DECEMBER 31, 2017 (AUDITED) |
|---|---|---|
| Current liabilities: | | |
| Accounts payable | $ 122,974 | $ 354,285 |
| Accrued expenses | 990,871 | 881,327 |
| Income taxes payable | --- | 55,848 |
| Dividends payable | 136,789 | 130,923 |
| Total current liabilities | 1,250,634 | 1,422,383 |
| | | |
| Deferred income taxes (net) | 22,030 | 33,855 |
| | | |
| Commitments and contingencies | | |
| | | |
| Stockholders' equity: | | |
| Common stock $.10 par value; 10,000,000 shares authorized;4,594,319 shares issued and outstanding at September 30, 2018 and December 31, 2017. | 459,432 | 459,432 |
| Accumulated other comprehensive income | --- | 466,025 |
| Retained earnings | 12,409,098 | 10,471,185 |
| Total stockholders' equity | 12,868,530 | 11,396,642 |
| | | |
| **TOTAL LIABILITIES ANDSTOCKHOLDERS' EQUITY** | $ 14,141,194 | 12,852,880 |

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.

**STATEMENTS OF CASH FLOWS**

(UNAUDITED)

| | NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net income | $3,769,048 | $2,828,907 |
| Adjustments to reconcile net incometo net cash provided by operating activities: | | |
| Depreciation and amortization | 143,896 | 150,057 |
| Unrealized loss on marketable securities | 56,313 | --- |
| Realized gain on sale of marketable securities | (2,052) | (54,302) |
| Loss from trade-in of equipment | 12,837 | --- |
| Increase (decrease) in operating assets: | | |
| Accounts receivable | 217,242 | (360,656) |
| Inventories | (125,195) | 44,087 |
| Prepaid expenses and other current assets | 16,248 | (8,546) |
| Prepaid income taxes | (5,427) | 82,732 |
| Other assets | 15,000 | ---- |
| Deferred income taxes | (11,825) | ---- |
| (Decrease) increase in operating liabilities: | | |
| Accounts payable | (231,311) | 265,460 |
| Accrued expenses | 109,544 | 69,291 |
| Income taxes payable | (55,848) | 197,318 |
| Net cash provided by operating activities | 3,908,470 | 3,214,348 |
| Cash flows from investing activities: | | |
| Acquisition of property, plant and equipment | (66,500) | (20,051) |
| Proceeds from sale of marketable securities | 4,947,370 | 540,472 |
| Purchases of marketable securities | (6,497,347) | (1,590,525) |
| Net cash used in investing activities | (1,616,477) | (1,070,104) |
| Cash flows from financing activities: | | |
| Dividends paid | (2,291,294) | (1,925,066) |
| Net cash used in financing activities | (2,291,294) | (1,925,066) |
| | | |
| Net increase in cash and cash equivalents | 699 | 219,178 |
| Cash and cash equivalents at beginning of period | 724,721 | 424,301 |
| Cash and cash equivalents at end of period | $725,420 | $643,479 |
| | | |
| Non-cash investing activities: | | |
| Cost of equipment traded in (net) | $39,837 | $--- |
| Supplemental disclosure of cash flow information | | |
| Taxes paid | $1,075,000 | $1,000,000 |

| | | |
|---|---|---|
| Supplemental disclosure of non-cash dividends payable | $5,866 | $4,952 |

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

(UNAUDITED)

1. Nature of Business

United-Guardian, Inc. (the "Company") is a Delaware corporation that, through its Guardian Laboratories Division, conducts research, product development, manufacturing and marketing of cosmetic ingredients, personal and health care products, pharmaceuticals, medical products, and proprietary specialty industrial products.

2. Basis of Presentation

Interim condensed financial statements of the Company are prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("US GAAP") for interim financial information, pursuant to the requirements for reporting on Form 10-Q and Regulation S-X. Certain information and note disclosures normally included in the financial statements prepared in accordance with US GAAP have been omitted or condensed pursuant to such regulations. In the opinion of management, all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods have been included. The results of operations for the three and nine months ended September 30, 2018 are not necessarily indicative of results that ultimately may be achieved for any other interim period or for the year ending December 31, 2018. The interim unaudited condensed financial statements and notes thereto should be read in conjunction with the audited financial statements and notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2017.

3. Use of Estimates

In preparing financial statements in conformity with US GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates. Such estimated items include the allowance for bad debts, accrued distribution fees, outdated material returns, possible impairment of marketable securities, and the allocation of overhead to inventory.

4. Revenue Recognition

Effective January 1, 2018 the Company adopted ASC Topic 606 “Revenue from Contracts with Customers” using the modified retrospective method. Under the new guidance revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration expected to be received in exchange for those goods or services. Our principal source of revenue is product sales.

Our gross revenues are subject to a variety of deductions, which generally are estimated and recorded in the same period that the revenues are recognized. Such variable consideration includes chargebacks from the United States Department of Veterans Affairs (“VA”), rebates, distribution fees, and sales returns. These deductions represent estimates of the related obligations and, as such, knowledge and judgment is required when estimating the impact of these revenue deductions on gross sales for a reporting period.

The Company recognizes revenue from sales of its personal care, medical, and industrial products at the time the products are shipped, as long as a valid purchase order has been received and future collection of the sale amount is reasonably assured. These products are shipped "Ex-Works" from the Company's facility in Hauppauge, NY, and it is at this time that risk of loss, control, and responsibility for the shipment passes to the customer. Sales of these products are deemed final, and there is no obligation on the part of the Company to repurchase or allow the return of these goods unless they are defective.

The Company's pharmaceutical products are shipped via common carrier upon receipt of a valid purchase order, with, in most cases, the Company paying the shipping costs. Sales of pharmaceutical products are final, and revenue is recognized at the time of shipment. Pharmaceutical products are returnable only at the discretion of the Company unless (a) they are found to be defective; (b) the product is damaged in shipping; or (c) the product is outdated (but not more than one year after their expiration date, which is a return policy which conforms to standard pharmaceutical industry practice). The Company estimates an allowance for outdated material returns based on prior year historical returns of their pharmaceutical products.

The Company does not make sales on consignment, and the collection of the proceeds of the sale of any of the Company's products is not contingent upon the customer being able to sell the goods to a third party.

Any allowances for returns are taken as a reduction of sales within the same period the revenue is recognized. Such allowances are determined based on historical experience. The Company has not experienced significant fluctuations between estimated allowances and actual activity.

The timing between recognition of revenue for product sales and the receipt of payment is not significant. The Company's standard credit terms, which vary depending on the customer, range between 30 and 60 days. The Company uses its judgment on a case-by-case basis to determine its ability to collect outstanding receivables and provides allowances for any receivables for which collection has become doubtful. As of September 30, 2018, and December 31, 2017, the allowance for doubtful accounts receivable amounted to $21,220. Prompt-pay discounts are offered to some customers; however, due to the uncertainty of the customers actually taking the discounts, the discounts are recorded when they are taken.

The Company has distribution fee contracts with certain customers in connection with the sales of its products that entitle them to distribution-related fees. The Company estimates and records distribution fees due to these customers in sales returns and allowances.

Disaggregated net sales by product class is as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Personal Care | $1,841,937 | $1,612,082 | 6,291,782 | $5,397,847 |
| Pharmaceutical | 1,185,046 | 1,106,964 | 3,304,121 | 2,884,754 |
| Medical | 527,900 | 542,103 | 1,694,722 | 1,675,195 |
| Industrial and other | 44,647 | 43,340 | 117,251 | 111,072 |
| Gross Sales | 3,599,530 | 3,304,489 | 11,407,876 | 10,068,868 |
| Less: Allowances and returns | (185,528 ) | (126,697 ) | (515,144 ) | (329,937 ) |
| Net Sales | $3,414,002 | $3,177,792 | 10,892,732 | $9,738,931 |

The Company’s personal care products are marketed worldwide by six marketing partners, of which United States (“U.S.”)-based Ashland Specialty Ingredients (“ASI”) purchases the largest volume. Because all ASI’s purchases are shipped to ASI’s warehouses in the U.S., all sales to ASI are considered domestic sales, even though a certain percentage of the products shipped to ASI will be sold by ASI to customers outside the U.S. (see below). In 2018 approximately 17% of the Company’s products were sold to end users located outside the U.S., either directly by the Company or by the Company’s five other marketing partners.

Disaggregated gross sales by geographic region is as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| United States* | $2,990,721 | $2,590,454 | $9,520,836 | $8,043,257 |
| Other countries | 608,809 | 714,035 | 1,887,040 | 2,025,611 |
| Gross Sales | $3,599,530 | $3,304,489 | $11,407,876 | $10,068,868 |

* Although a significant percentage of ASI’s purchases from the Company are sold to foreign customers, all sales to ASI are considered U.S. (domestic) sales for financial reporting purposes, since all shipments to ASI are shipped to ASI’s warehouses in the U.S. A certain percentage of those products are subsequently shipped by ASI to its foreign customers. Based on sales information provided to the Company by ASI, in the third quarter of 2018 approximately 73% of ASI’s sales were to customers in foreign countries, with a significant amount going to China. In addition, there are four customers for the Company’s medical products that take delivery of their purchases in the U.S. but subsequently ship that product to manufacturing facilities outside the U.S. Since the Company makes those shipments to U.S. locations, sales to those customers are also considered domestic sales. In the third quarter of 2018 approximately 36% of the Company’s medical product sales were delivered to U.S. locations for subsequent shipment by the customers to foreign manufacturing facilities, which then produced finished products to be marketed globally.

On August 8, 2018 the United States government announced that it would impose a tariff on an additional $16 billion worth of certain goods shipped into the U.S. from China. This was in addition to the 25% tariff that went into effect on July 6, 2018 on $34 billion worth of U.S. goods shipped to China. In response, China imposed comparable retaliatory tariffs on certain U.S. goods imported into China. As of the filing of the Company's second quarter Form 10-Q in mid-August the goods in transit to China were on the second retaliatory list, but the amount of the tariff had not been finalized. As a result, the Company recorded an accrual of $53,000 to cover those potential tariffs. Shortly after the Company filed its second quarter Form 10-Q the goods that were in transit were removed from the second retaliatory list before it went into effect, and while it is still possible that the Company's products could be added to a future list of products to be tariffed, as of the date of this current Form 10-Q the Company's products are not on any of the retaliatory lists. Consequently, the Company has reversed the second quarter accrual of $53,000. The Company will continue to monitor the status of the tariff situation and will, when appropriate, accrue for future tariffs as the situation requires.

5. Marketable Securities

Marketable securities include investments in fixed income and equity mutual funds and government securities, which are reported at their fair values. Effective January 1, 2018, the Company adopted Accounting Standards Update ("ASU") 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities". This amendment requires companies to measure equity investments at fair value with the changes in fair value recognized in net income.

In accordance with the implementation of the standard, the Company recognized a cumulative-effect adjustment, related to unrealized gains on marketable equity securities, to reduce accumulated other comprehensive income and increase retained earnings on January 1, 2018 by $466,025.

In conformity with ASC 205-10 "Presentation of Financial Statements", as it relates to the comparability of financial statements, because ASU 2016-01 was not implemented retroactively, in order for the amounts presented in the 2018 financial statements to be comparable to the same period in 2017, the following table illustrates the impact the implementation of the standard would have had on the three- and nine-month periods ended September 30, 2017:

**Statements of Income**

Three Months Ended

September 30, 2017

| | As Reported | Adjustments | Balance With ASU 2016-01 Adoption |
|---|---|---|---|
| Unrealized gain on marketable securities | $--- | $ 56,536 | $56,536 |
| Income before provision for income taxes | 1,583,448 | 56,536 | 1,639,984 |
| Provision for income taxes | 493,125 | 19,221 | 512,346 |
| Net income | 1,090,323 | 37,315 | 1,127,638 |
| Earnings per common share (basic and diluted) | $0.24 | $ 0.01 | $0.25 |

Nine Months Ended

September 30, 2017

| | As Reported | Adjustments | Balance With ASU 2016-01 Adoption |
|---|---|---|---|
| Unrealized gain on marketable securities | $--- | $ 284,666 | $284,666 |
| Income before provision for income taxes | 4,108,957 | 284,666 | 4,393,623 |
| Provision for income taxes | 1,280,050 | 96,786 | 1,376,836 |
| Net income | 2,828,907 | 187,880 | 3,016,787 |
| Earnings per common share (basic and diluted) | $0.62 | $ 0.04 | $0.66 |

In addition, the disaggregated net gains and losses on the marketable securities recognized in the income statements for the three- and nine-month periods ended September 30, 2018 are as follows:

| | Three months ended September 30 | Nine months ended September 30 |
|---|---|---|
| Net gains (losses) recognized during the period on marketable securities | $99,145 | $(54,261 ) |
| Less: Net gains recognized during the period on marketable securities sold during the period | (115,328) | (2,052 ) |
| Unrealized losses recognized during the reporting period on marketable securities still held at the reporting date | $(16,183 ) | $(56,313 ) |

The following tables summarize the Company's investments:

**September 30, 2018** (Unaudited)

| | Cost | Fair value | Unrealized gain |
|---|---|---|---|
| U.S. Treasury Bills (Maturities less than 1 year) | $5,121,627 | $5,121,627 | $--- |
| Fixed income mutual funds | 2,392,026 | 2,464,047 | 72,021 |
| Equity and other mutual funds | 1,170,039 | 1,631,610 | 461,571 |
| Total marketable securities | $8,683,692 | $9,217,284 | $533,592 |

**December 31, 2017** (Audited)

| | Cost | Fair value | Unrealized gain |
|---|---|---|---|
| Fixed income mutual funds | $6,003,131 | $6,113,099 | $109,968 |
| Equity and other mutual funds | 1,128,532 | 1,608,469 | 479,937 |
| Total marketable securities | $7,131,663 | $7,721,568 | $589,905 |

Investment income is recognized when earned and consists principally of interest income from fixed income mutual funds and U.S. Treasury Bills and dividend income from equity and other mutual funds. Realized gains and losses on sales of investments are determined on an average cost basis.

Proceeds from the sale and redemption of marketable securities amounted to $4,947,370 for the nine months ended September 30, 2018, which included realized gains of $2,052. Proceeds from the sale and redemption of marketable securities amounted to $540,472 for the nine months ended September 30, 2017, which included realized gains of $54,302.

6. Inventories

| | September 30, 2018 (UNAUDITED) | December 31, 2017 (AUDITED) |
|---|---|---|
| Inventories consist of the following: | | |
| Raw materials | $ 378,232 | $ 363,739 |
| Work in process | 108,686 | 39,004 |
| Finished products | 978,800 | 937,780 |
| Total inventories | $ 1,465,718 | $ 1,340,523 |

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the average cost method, which approximates cost determined by the first-in, first-out method. Finished product inventories at September 30, 2018 and December 31, 2017 are net of a reserve of $20,000 for slow-moving or obsolete inventory. At September 30, 2018 and December 31, 2017 the Company had an allowance of $134,935 and $127,768, respectively, for possible outdated material returns, which is included in accrued expenses.

7. Income Taxes

The Company's tax provision is based on its estimated annual effective tax rate. The Company continues to fully recognize its tax benefits, and as of September 30, 2018 and December 31, 2017, the Company did not have any unrecognized tax benefits. The Company's provision for income taxes for the three and nine months ended September 30 comprises the following:

| | **Three months ended September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Provision for federal income taxes - current | $329,574 | $493,125 | $1,013,725 | $1,280,050 |
| Provision for federal income taxes - deferred | 20,390 | --- | (11,826 ) | --- |
| Total provision for income taxes | $349,964 | $493,125 | $1,001,899 | $1,280,050 |

8. Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of unrealized gains and losses on marketable securities net of the related tax effect.

| Changes in Accumulated Other Comprehensive Income | **Nine months ended September 30, 2018** | **Year ended December 31, 2017** |
|---|---|---|
| | (Unaudited) | (Audited) |
| Beginning balance – net of tax | $466,025 | $175,634 |
| Reclassification of accumulated other comprehensive income to retained earnings in accordance with ASU-2016-01 (See Note 5) | (466,025 ) | ---- |
| Unrealized gain on marketable securities before reclassifications - net of tax | --- | 222,499 |
| Reclassification of tax effect on unrealized gain on marketable securities due to federal tax rate change | --- | 34,595 |
| Realized gain on sale of securities reclassified from accumulated other comprehensive income-net of tax | --- | 33,297 |
| Ending balance - net of tax | $--- | $466,025 |

## 9. Defined Contribution Plan

The Company sponsors a 401(k) defined contribution plan (“Plan") that provides for a dollar-for-dollar employer matching contribution of the first 4% of pay that is deferred by each employee. Employees become fully vested in employer matching contributions after one year of employment. Prior to the second quarter of 2018, the Company had been accruing $175,000 per year ($43,750 per quarter) toward the payment of a discretionary 401(k) contribution that is apportioned among all employees using a “pay-to-pay” safe harbor formula in accordance with IRS regulations. During the second quarter of 2018, the Company adjusted the annual discretionary contribution to $150,000 per year. For the three-month periods ended September 30, 2018 and 2017, the Company accrued for discretionary contributions in the amount of $35,417 and $43,750, respectively. For the nine-month periods ended September 30, 2018 and 2017, the Company accrued employer discretionary contributions to the Plan in the amount of $114,584 and $131,250, respectively, but did not make any actual payments of discretionary contributions into the Plan.

## 10. Related-Party Transactions

During the nine-month periods ended September 30, 2018 and September 30, 2017, the Company paid to Bonamassa, Maietta and Cartelli, LLP $6,500 and $8,000 respectively, for accounting and tax services. Lawrence Maietta, a partner in Bonamassa, Maietta and Cartelli, LLP, is a director of the Company.

## 11. Other Information

<u>Accrued Expenses</u>

Accrued expenses comprise the following:

| | September 30, 2018 (Unaudited) | December 31, 2017 (Audited) |
|---|---|---|
| Bonuses | $ 100,000 | $ 200,000 |
| Distribution fees | 308,408 | 254,863 |
| Payroll and related expenses | 181,133 | 152,903 |
| Reserve for outdated material | 134,935 | 127,768 |
| Company 401 (K) contribution | 114,584 | --- |
| Audit fee | 36,568 | 43,268 |
| Insurance | 24,568 | --- |
| Annual report expenses | 52,923 | 62,510 |

| | | |
|---|---|---|
| Sales rebates | 13,500 | 12,000 |
| Other | 24,252 | 28,015 |
| Total accrued expenses | $ 990,871 | $ 881,327 |

12. Recent Accounting Pronouncements

Effective January 1, 2018, the Company adopted ASC Topic 606 “Revenue from Contracts with Customers”, using the modified retrospective method. This guidance supersedes nearly all existing revenue recognition guidance under US GAAP. The core principle of the guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. The Company has drafted its accounting policy for the new standard based on a detailed review of its business and contracts. Based on the new guidance, the Company expects to continue to recognize revenue at the time its products are shipped, and therefore, adoption of this standard did not have a material impact on the financial statements.

In February 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-02, "Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." This guidance gives businesses the option of reclassifying to retained earnings the so-called "stranded tax effects" left in accumulated other comprehensive income due to the reduction in the corporate income tax rate resulting from the 2017 Tax Cuts and Jobs Act. This amendment is effective for all organizations for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is allowed. The Company adopted this amendment in the fourth quarter of 2017. As a result, a reclassification of $34,595 was made to retained earnings at December 31, 2017 to reflect the effect of the reduction in the federal corporate tax rate as it relates to the unrealized gains on marketable securities that were recorded in other comprehensive income.

In June 2016, the FASB issued ASU-2016-13 "Financial Instruments – Credit Losses". This guidance affects organizations that hold financial assets and net investments in leases that are not accounted for at fair value with changes in fair value reported in net income. The guidance requires organizations to measure all expected credit losses for financial instruments at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. It is effective for fiscal years beginning after December 15, 2019. The Company is evaluating the potential impact on the Company's financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases", which is intended to improve financial reporting for lease transactions. This ASU will require organizations that lease assets, such as real estate and manufacturing equipment, to recognize both assets and liabilities on their balance sheet for the rights to use those assets for the lease term and obligations to make the lease payments created by those leases that have terms of greater than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. This ASU will also require disclosures to help investors and other financial statement users better understand the amount and timing of cash flows arising from leases. These disclosures will include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. This ASU will be adopted by the Company in the first quarter of 2019. The Company does not believe that this ASU will have a material impact on its financial statements.

13. Concentrations of Credit Risk

Cash and cash equivalents - For financial statement purposes, the Company considers as cash equivalents all highly liquid investments with an original maturity of three months or less when purchased. The Company deposits cash and cash equivalents with high credit quality financial institutions and believes that any amounts in excess of insurance limitations to be at minimal risk. Cash and cash equivalents held in these accounts are currently insured by the Federal Deposit Insurance Corporation ("FDIC") up to a maximum of $250,000. At September 30, 2018, approximately $748,000 exceeded the FDIC limit.

Customer concentration - Accounts receivable potentially exposes the Company to concentrations of credit risk. The Company monitors the amount of credit it allows each of its customers, using the customer's prior payment history and its overall credit worthiness to determine how much credit to allow or whether any credit should be given at all. It is

the Company’s policy to discontinue shipments to any customer that is substantially past due on its payments. The Company sometimes requires payment in advance from customers whose payment record is questionable. As a result of its monitoring of the outstanding credit allowed for each customer, as well as the fact that the majority of the Company’s sales are to customers whose satisfactory credit and payment record has been established over a long period of time, the Company believes that its credit risk from accounts receivable is low.

One of the Company’s pharmaceutical distributors and one of its personal care products marketing partners together accounted for approximately 58% and 53% of the Company’s sales for the nine months ended September 30, 2018 and 2017, respectively, and 51% and 48% of its outstanding accounts receivable at September 30, 2018 and 2017, respectively.

14. Earnings Per Share

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued.

Per share basic and diluted earnings amounted to $ 0.29 and $0.24 for the three months ended September 30, 2018 and 2017, respectively, and $0.82 and $0.62 for the nine months ended September 30, 2018 and 2017, respectively.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### FORWARD-LOOKING STATEMENTS

Statements made in this Form 10-Q which are not purely historical are forward-looking statements with respect to the goals, plans, objectives, intentions, expectations, financial condition, results of operations, future performance and business of the Company. Forward-looking statements may be identified by the use of such words as “believes”, “may”, “will”, “should”, “intends”, “plans”, “estimates”, “anticipates”, or other similar expressions.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond our control) could cause actual results to differ materially from those set forth in the forward-looking statements. In addition to those specific risks and uncertainties set forth in the Company's reports currently on file with the SEC, some other factors that may affect the future results of operations of the Company are: the development of products that may be superior to those of the Company; changes in the quality or composition of the Company's products; lack of market acceptance of the Company's products; the Company's ability to develop new products; general economic or industry conditions; changes in intellectual property rights; changes in interest rates; new legislation or regulatory requirements; conditions of the securities markets; the Company's ability to raise capital; changes in accounting principles, policies or guidelines; financial or political instability; acts of war or terrorism; and other economic, competitive, governmental, regulatory and technical factors that may affect the Company's operations, products,

services and prices.

Accordingly, results actually achieved may differ materially from those anticipated as a result of such forward-looking statements, and those statements speak only as of the date they are made.

The Company does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

**OVERVIEW**

The Company is a Delaware corporation that, through its Guardian Laboratories division, conducts research, product development, manufacturing and marketing of cosmetic ingredients, personal and health care products, pharmaceuticals, medical products, and proprietary specialty industrial products. All of the products that the Company manufactures, with the exception of RENACIDIN®, are produced at its facility in Hauppauge, New York, and are marketed through marketing partners, distributors, wholesalers, direct advertising, mailings, and trade exhibitions. Its most important product line is its LUBRAJEL® line of water-based moisturizing and lubricating gels, which are used primarily as ingredients in cosmetic products, as well as medical lubricants. The Company's research and development department is actively working on the development of new products to expand the Company's line of personal care products. Some of the Company's products have patent protection, and others are produced using proprietary manufacturing processes.

The Company's personal care products are marketed worldwide by six marketing partners, the largest of which is U.S.-based ASI. The Company also sells two pharmaceutical products for urological uses. Those products are sold primarily in the United States through the major drug wholesalers, which in turn sell the products to pharmacies, hospitals, nursing homes and other long-term care facilities, and to government agencies, primarily the VA.

The Company's non-pharmaceutical medical products (referred to hereinafter as "medical products"), such as its catheter lubricants, as well as its specialty industrial products, are sold directly by the Company to the end users or to contract manufacturers utilized by the end users, although they are available for sale on a non-exclusive basis by its marketing partners as well.

While the Company does have competition in the marketplace for some of its products, particularly its cosmetic ingredients, some of its pharmaceutical and medical products have some unique characteristics, and do not have direct competitors. However, these products may have indirect competition from other products that are not marketed as direct competitors to the Company's products but may have functionality or properties that are similar to the Company's products.

The Company recognizes revenue when (a) persuasive evidence of a sales arrangement exists; (b) products are shipped, which is also the time when title, control, and risk of loss pass to the customers; and (c) collections are reasonably assured. An allowance for returns, based on historical experience, is taken as a reduction of sales within the same period the revenue is recognized.

Over the years the Company has been issued many patents and trademarks and intends, whenever possible, to make efforts to obtain patents in connection with its product development program. Most of the patents that the Company has been issued have expired; however, the Company does not believe that the expiration of those patents will have any material effect on its sales, since the Company' most important products rely on trade secrets and proprietary manufacturing methods rather than patent protection.

**Critical Accounting Policies**

As disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, the discussion and analysis of the Company's financial condition and results of operations are based on its financial statements, which have been prepared in conformity with US GAAP. The preparation of those financial statements required the Company to make estimates and assumptions that affect the carrying value of assets, liabilities, revenues and expenses reported in those financial statements. Those estimates and assumptions can be subjective and complex, and consequently actual results could differ from those estimates and assumptions. The Company's most critical accounting policies relate to revenue recognition, concentration of credit risk, investments, inventory, and income taxes. Since December 31, 2017, there have been no significant changes to the assumptions and estimates related to those critical accounting policies.

The following discussion and analysis covers material changes in the financial condition of the Company since the year ended December 31, 2017, and a comparison of the results of operations for the three and nine months ended September 30, 2018 and September 30, 2017. This discussion and analysis should be read in conjunction with "Management's Discussion and Analysis or Plan of Operation" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. All references in this quarterly report to "sales" or "Sales" shall mean Gross Sales.

The Company recognizes revenue from sales of its personal care, medical, and industrial products when those products are shipped, as long as a valid purchase order has been received and future collection of the sale amount is reasonably assured. These products are shipped "Ex-Works" from the Company's facility in Hauppauge, NY, and it is at this time that risk of loss and responsibility for the shipment passes to the customer. Sales of these products are deemed final, and there is no obligation on the part of the Company to repurchase or allow the return of these goods unless they are defective.

The Company's pharmaceutical products are shipped via common carrier upon receipt of a valid purchase order, with, in most cases, the Company paying the shipping costs. The Company assumes responsibility for the shipment arriving at its intended destination. Sales of pharmaceutical products are final and revenue is recognized at the time of shipment. Pharmaceutical products are returnable only at the discretion of the Company unless (a) they are found to be defective; (b) the product is damaged in shipping; or (c) the product is outdated (but not more than one year after their expiration date, which is a return policy which conforms to standard pharmaceutical industry practice). The Company estimates an allowance for outdated material returns based on gross sales of their pharmaceutical products.

**RESULTS OF OPERATIONS**

**Gross Sales**

Gross sales for the third quarter of 2018 increased by $295,041 (approximately 9%) compared with the third quarter of 2017. Gross sales for the nine months ended September 30, 2018 increased by $1,339,008 (approximately 13%) as compared with the corresponding period in 2017. The increases in sales for the three and nine months ended September 30, 2018 were attributable to changes in sales of the following product lines:

**Personal care products:** For the third quarter of 2018 sales of the Company's personal care products increased by $229,855 (approximately 14%) when compared with the third quarter of 2017, primarily due to increases in sales to the Company's largest marketing partner, ASI, along with increased sales to the Company's marketing partners in France, the United Kingdom and Switzerland. Sales to ASI in the third quarter increased by $388,987 (approximately 35%), which the Company believes was due to the timing of orders. Sales to the Company's marketing partner in France increased by $93,832 (approximately 86%). Sales to the Company's marketing partner in the United Kingdom increased by $21,355 (approximately 28%), and sales to the Company's marketing partner in Switzerland increased by $2,664 (approximately 519%). Offsetting those increases was a decrease in sales of $263,336 (approximately 95%) to the Company's marketing partner in South Korea, and a decrease of $24,424 (100%) to the Company's marketing partner in Italy. The Company has been informed by its marketing partner for Korea that the decreases in sales in Korea for both the third quarter and the first nine months of the year were the result of the increased difficulty being experienced by Korean customers for the Company's products in exporting their finished products to China. The decrease in Italy is due primarily to the timing of orders, since the market for the Company's products in Italy is small and orders are placed infrequently. There was also a $10,777 net increase in sales to some of the Company's direct customers for its personal care products.

For the nine-month period ended September 30, 2018 sales of the Company's personal care products increased by $893,935 (approximately 17%) when compared with the same period in 2017, with sales to ASI increasing by $947,053 (approximately 23%). The increase was due primarily to higher sales to ASI in the first three quarters of 2018 compared with those same quarters in 2017. Nine-month sales to the Company's five other marketing partners decreased by $49,116 (approximately 4%), with increases in the United Kingdom and France, offset by decreases in Switzerland, Korea and Italy. The nine-month changes in sales were as follows: sales to the Company's marketing partner in the United Kingdom increased by $104,181 (approximately 41%); sales to the Company's marketing partner in France increased by $97,498 (approximately 24%); sales to the Company's marketing partner in Switzerland decreased by $295 (approximately 4%); sales to the Company's marketing partner in South Korea decreased by $229,317 (approximately 46%), and sales to the Company's marketing partner in Italy decreased by $21,183 (approximately 26%). There was also a $4,002 net reduction in sales to some of the Company's direct customers for its personal care products.

The sales fluctuations to the Company's five other marketing partners (other than ASI) are primarily the result of the timing of customer orders, but sales of the Company's products in Western Europe and Asia continue to be negatively impacted by increased competition from companies selling imitations of the Company's products at lower prices, particularly Asian companies that are manufacturing competitive products to the Company's LUBRAJEL product line. This has resulted in a loss of some customers to these competitive products. From time to time it has been necessary for the Company to adjust its prices, as needed, in order to retain or attract certain customers for some of its products, and over the past year the Company has become more aggressive in competing with some of the lower-priced products. Although there has been some impact on the Company's profit margins on those sales, to date this impact has not been significant. The Company intends to continue to aggressively compete with these products in order to remain competitive.

(a) **Pharmaceuticals:** For the third quarter of 2018 sales of the Company's pharmaceutical products increased by $78,082 (approximately 7%) when compared with the third quarter of 2017. For the nine-month period ended September 30, 2018 sales of the Company's pharmaceutical products increased by $419,367 (approximately 15%) when compared with the first nine months of 2017, primarily due to sales of RENACIDIN increasing by $67,152 (approximately 7%) for the three-month period and by $398,246 (approximately16%) for the nine-month period.

(b) **Medical (non-pharmaceutical) products:** Sales of the Company's medical products decreased by $14,203 (approximately 3%) for the third quarter of 2018 and increased by $19,527 (approximately 1%) for the nine-month period ended September 30, 2018 compared with the comparable periods in 2017. The decrease in medical product sales for the third quarter and the increase for the nine-month period was primarily attributable to the ordering patterns and stocking levels of three of the primary customers for these products. Sales of these products have been inconsistent on a quarter to quarter basis for the past 3 years due to the large quantities per order and the relative infrequency of these orders.

(c) **Industrial and other products:** Sales of the Company's industrial products, as well as other miscellaneous products, increased by $1,307 (approximately 3%) and by $6,179 (approximately 6%) for the three and nine months, respectively, ended September 30, 2018, when compared to the corresponding periods in 2017. These changes are attributable to customer ordering patterns.

In addition to the above changes in sales, sales allowances increased by $58,831 and $185,207 for the three and nine-month periods, respectively, ended September 30, 2018, when compared with the corresponding periods in 2017. This increase was primarily due to increases in allowances for distribution fees, outdated material returns attributable to the Company's pharmaceuticals, and rebates paid to distributors of certain products.

**Cost of Sales**

For the third quarter of 2018, cost of sales as a percentage of net sales increased to approximately 37%, from 35% in the third quarter of 2017, and decreased to approximately 40% for the nine-months ended September 30, 2018 compared with 42% for the comparable period in 2017. The increase for the third quarter of 2018 as compared with third quarter of 2017 was due to lower sales of one of the Company's higher-margin products. The decrease for the first nine months of 2018 as compared with the comparable period in 2017, was primarily due to lower per unit manufacturing costs resulting from the allocation of the Company's fixed overhead costs over a larger number of production units in the first nine months of 2018 compared with the comparable period in 2017. This was due to an increase in demand for the Company's products in 2018, which resulted in greater production and greater production efficiencies.

**Operating Expenses**

Operating expenses consist of selling, general and administrative expenses. Operating expenses increased by $81,073 (approximately 18%) for the third quarter of 2018 compared with the comparable quarter in 2017, and by $257,522 (approximately 20%) for the nine months ended September 30, 2018 compared with the nine months ended September 30, 2017. The increases for the third quarter and the first nine months of 2018 were primarily attributable to increases in consulting expenses, payroll, and payroll related expenses. Operating expenses are expected to remain relatively consistent for the remainder of the year.

**Research and Development Expenses**

Research and development expenses decreased by $61,230 (approximately 38%) for the third quarter of 2018, and by $216,285 (approximately 43%) for the first nine months of 2018 compared with the comparable periods in 2017. These decreases were mainly due to a decrease in payroll and payroll related expenses.

**Other Income**

Other income increased by $22,943 (approximately 20%) for the third quarter of 2018 compared with the comparable quarter of 2017 and decreased by $164,409 (approximately 69%) for the first nine months of the year compared with the same period in 2017. These changes were mainly due to decreases in dividend income from both stock and bond mutual funds in both periods, combined with realized and unrealized gains and losses. Unrealized gains and losses are recognized in accordance with the adoption of ASU 2016-01 “Recognition and Measurement of Financial Assets and Financial Liabilities.” The standard requires changes in fair market value of equity investments to be recognized in net income. In the prior periods in 2017 these changes in fair value were recognized in accumulated other comprehensive income (see Note 5). The Company adopted this standard in the first quarter of 2018.

**Provision for income taxes**

The Company's effective income tax rate was approximately 21% for the first nine months of 2018 and 31% for the first nine months of 2017. The Company’s tax rate is expected to remain at 21% for the current fiscal year.

**LIQUIDITY AND CAPITAL RESOURCES**

Working capital increased from $10,428,139 at December 31, 2017 to $11,993,435 at September 30, 2018, an increase of $1,565,296. The current ratio increased from 8.3 to 1 at December 31, 2017 to 10.6 to 1 at September 30, 2018. The increase in working capital was primarily due to an increase in marketable securities. The increase in the current ratio was primarily due to an increase in marketable securities and a decrease in accounts payable.

The Company believes that its working capital is, and will continue to be, sufficient to support its operating requirements for at least the next twelve months. The Company does not expect to incur any significant capital expenditures for the remainder of 2018.

The Company generated cash from operations of $3,908,470 and $3,214,348 for the nine months ended September 30, 2018 and September 30, 2017, respectively. The increase in cash from operations was primarily due to an increase in net income.

Cash used in investing activities for the nine-month period ended September 30, 2018 and September 30, 2017 was $ 1,616,477 and $1,070,104 respectively. The increase was primarily due to the increase in purchases of marketable securities for the nine-month period ended September 30, 2018 compared to the same period in 2017.

Cash used in financing activities was $2,291,294 and $1,925,066 for the nine months ended September 30, 2018 and September 30, 2017, respectively. The increase was due to an increase in the dividends paid per share from $0.42 per share in 2017 to $0.50 per share in 2018.

The Company expects to continue to use its cash to make dividend payments, to purchase marketable securities, and to take advantage of other opportunities that are in the best interest of the Company and its shareholders, should they arise.

**OFF BALANCE SHEET ARRANGEMENTS**

The Company has no off balance sheet transactions that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

**CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

The information to be reported under this item is not required of smaller reporting companies.

**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

The information to be reported under this item is not required of smaller reporting companies.

**Item 4. CONTROLS AND PROCEDURES**

(a) DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, including its Principal Executive Officer and Chief Financial Officer, has evaluated the design, operation, and effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"). There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon the evaluation performed by the

Company's management, including its Principal Executive Officer and Chief Financial Officer, it was determined that, as of the end of the period covered by this quarterly report, the Company's disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed in the reports filed or submitted pursuant to the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to the Company's management, including its Principal Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding disclosures.

(b) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's Principal Executive Officer and Chief Financial Officer have determined that, during the period covered by this quarterly report, there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. They have also concluded that there were no significant changes in the Company's internal controls after the date of the evaluation.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

NONE

### ITEM 1A. RISK FACTORS

The information to be reported under this item is not required of smaller reporting companies.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

NONE

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

NONE

### ITEM 4. MINE SAFETY DISCLOSURES

NONE

### ITEM 5. OTHER INFORMATION

NONE

### ITEM 6. EXHIBITS

| | |
|---|---|
| 31.1 | Certification of Kenneth H. Globus, President and Principal Executive Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Andrea J. Young, Chief Financial Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32 | Certifications of the Principal Executive Officer and Chief Financial Officer of the Company, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

**SIGNATURES**

In accordance with the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED-GUARDIAN, INC.
(Registrant)

By: /S/ KENNETH H. GLOBUS
Kenneth H. Globus
President

By:/S/ ANDREA J. YOUNG
Andrea J. Young
Chief Financial Officer

Date: November 7, 2018