

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 March 31, 2020

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

(State or Other Jurisdiction of
Incorporation or Organization)

11-1719724

(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

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 (Do not check if a smaller reporting company)
- 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

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.10 par value per share	UG	NASDAQ Global Market

The registrant had 4,594,319 shares of common stock, \$.10 par value per share, outstanding at May 1, 2020.

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Part I. FINANCIAL INFORMATION

ITEM 1. Condensed Financial Statements.

UNITED-GUARDIAN, INC.

STATEMENTS OF INCOME (UNAUDITED)

THREE MONTHS ENDED
MARCH 31,

	<u>2020</u>	<u>2019</u>
Net Sales	\$ <u>3,322,914</u>	\$ <u>3,180,318</u>
Costs and expenses:		
Cost of sales	1,389,331	1,288,345
Operating expenses	515,275	546,962
Research and development	<u>107,732</u>	<u>98,659</u>
Total costs and expenses	<u>2,012,338</u>	<u>1,933,966</u>
Income from operations	<u>1,310,576</u>	<u>1,246,352</u>
Other (expense) income:		
Investment income	44,067	44,167
Net (loss) gain on marketable securities	<u>(356,595)</u>	<u>257,194</u>
Total other (expense) income	<u>(312,528)</u>	<u>301,361</u>
Income before provision for income taxes	998,048	1,547,713
Provision for income taxes	<u>207,741</u>	<u>325,019</u>
Net income	\$ <u>790,307</u>	\$ <u>1,222,694</u>
Earnings per common share (basic and diluted)	\$ <u>0.17</u>	\$ <u>0.27</u>
Weighted average shares – basic and diluted	<u>4,594,319</u>	<u>4,594,319</u>

See notes to condensed financial statements

UNITED-GUARDIAN, INC.

BALANCE SHEETS

<u>ASSETS</u>	MARCH 31, 2020	DECEMBER 31, 2019
	<u>(UNAUDITED)</u>	<u>(AUDITED)</u>
Current assets:		
Cash and cash equivalents	\$ 790,190	\$ 1,048,311
Marketable securities	8,055,289	6,867,516
Accounts receivable, net of allowance for doubtful accounts of \$20,186 at March 31, 2020 and \$21,178 at December 31, 2019	2,105,428	2,098,411
Inventories (net)	1,362,787	1,217,277
Prepaid expenses and other current assets	227,872	170,466
Prepaid income taxes	<u>---</u>	<u>165,300</u>
Total current assets	<u>12,541,566</u>	<u>11,567,281</u>
 Property, plant and equipment:		
Land	69,000	69,000
Factory equipment and fixtures	4,482,236	4,482,236
Building and improvements	<u>2,840,337</u>	<u>2,839,289</u>
Total property, plant and equipment	7,391,573	7,390,525
Less: accumulated depreciation	<u>6,646,631</u>	<u>6,609,818</u>
Total property, plant and equipment (net)	<u>744,942</u>	<u>780,707</u>
Other assets (net)	<u>11,118</u>	<u>14,824</u>
 TOTAL ASSETS	\$ <u>13,297,626</u>	\$ <u>12,362,812</u>

See notes to condensed financial statements

UNITED-GUARDIAN, INC.

BALANCE SHEETS

(continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	MARCH 31, <u>2020</u> (UNAUDITED)	DECEMBER 31, <u>2019</u> (AUDITED)
Current liabilities:		
Accounts payable	\$ 32,085	\$ 71,385
Accrued expenses	1,271,108	1,129,126
Income taxes payable	126,453	---
Dividends payable	<u>141,932</u>	<u>142,548</u>
Total current liabilities	<u>1,571,578</u>	<u>1,343,059</u>
Deferred income taxes (net)	<u>302,843</u>	<u>386,855</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock \$.10 par value; 10,000,000 shares authorized; 4,594,319 shares issued and outstanding at March 31, 2020 and December 31, 2019	459,432	459,432
Retained earnings	<u>10,963,773</u>	<u>10,173,466</u>
Total stockholders' equity	<u>11,423,205</u>	<u>10,632,898</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ <u>13,297,626</u>	\$ <u>12,362,812</u>

See notes to condensed financial statements

UNITED-GUARDIAN, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

THREE MONTHS ENDED MARCH 31, 2020

	<u>Common stock</u> <u>Shares</u>	<u>Amount</u>	<u>Retained</u> <u>Earnings</u>	<u>Total</u>
Balance, January 1, 2020	4,594,319	\$ 459,432	\$ 10,173,466	\$ 10,632,898
Net income	---	---	<u>790,307</u>	<u>790,307</u>
Balance, March 31, 2020	<u>4,594,319</u>	<u>\$ 459,432</u>	<u>\$ 10,963,773</u>	<u>\$ 11,423,205</u>

THREE MONTHS ENDED MARCH 31, 2019

	<u>Common stock</u> <u>Shares</u>	<u>Amount</u>	<u>Retained</u> <u>Earnings</u>	<u>Total</u>
Balance, January 1, 2019	4,594,319	\$ 459,432	\$ 10,465,506	\$ 10,924,938
Net income	---	---	<u>1,222,694</u>	<u>1,222,694</u>
Balance, March 31, 2019	<u>4,594,319</u>	<u>\$ 459,432</u>	<u>\$ 11,688,200</u>	<u>\$ 12,147,632</u>

See notes to condensed financial statements

UNITED-GUARDIAN, INC.

STATEMENTS OF CASH FLOWS

(UNAUDITED)

	THREE MONTHS ENDED	
	MARCH 31,	
	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net income	\$ 790,307	\$ 1,222,694
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	40,519	42,105
Net loss (gain) on marketable securities	356,595	(257,194)
Allowance for Doubtful Accounts	(992)	---
Deferred income taxes	(84,012)	10,856
(Increase) decrease in operating assets:		
Accounts receivable	(6,025)	67,707
Inventories	(145,510)	157,380
Prepaid expenses and other current assets	(57,406)	(68,068)
Prepaid income taxes	165,300	164,163
(Decrease) increase in operating liabilities:		
Accounts payable	(39,300)	(44,305)
Accrued expenses	141,982	236,316
Income taxes payable	126,453	---
Dividends payable	(616)	---
Net cash provided by operating activities	<u>1,287,295</u>	<u>1,531,654</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(1,048)	(12,992)
Purchase of marketable securities	(3,544,368)	(6,049,914)
Proceeds from sales of marketable securities	<u>2,000,000</u>	<u>4,480,373</u>
Net cash used in investing activities	<u>(1,545,416)</u>	<u>(1,582,533)</u>
Net decrease in cash and cash equivalents	(258,121)	(50,879)
Cash and cash equivalents at beginning of period	<u>1,048,311</u>	<u>550,135</u>
Cash and cash equivalents at end of period	\$ <u>790,190</u>	\$ <u>499,256</u>
Supplemental disclosure of cash flow information		
Taxes paid	\$ <u>-----</u>	\$ <u>150,000</u>

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, 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. In the opinion of management, all adjustments considered necessary for the fair presentation of financial statements for the interim periods have been included. The results of operations for the three-month period ended March 31, 2020 (also referred to as the “first quarter of 2020”) are not necessarily indicative of results that ultimately may be achieved for any other interim period or for the year ending December 31, 2020. The interim unaudited condensed financial statements and notes thereto should be read in conjunction with the audited condensed financial statements and notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2019.

3. Impact of coronavirus (COVID-19)

In March 2020, the spread of the coronavirus (COVID-19) began to cause disruptions among businesses and markets worldwide. On March 20, 2020 the Governor of New York issued an executive order which closed non-essential businesses. The Company, as a manufacturer of pharmaceutical and medical products, is considered an essential business, and continues to operate. The Company has taken a series of actions aimed at safeguarding its employees while operations continue. While many of the Company’s customers are in essential businesses as well, there may be other customers that are considered non-essential, in which case there may be a decrease in orders from those customers until they reopen. In addition, the Company distributes products to marketing partners globally, and it is difficult to assess the current conditions that exist in other countries where our products are sold. While these disruptions are expected to be temporary, until the crisis passes in the different countries it is likely that there will be a negative impact on the Company’s sales in those countries. Since there is uncertainty as what the duration of the pandemic will be, the Company is unable to provide any accurate estimate or projection as to what the full impact of the coronavirus will be on the Company’s operations or financial results.

As of the date of this report the Company does not anticipate that the coronavirus pandemic will affect the ability of the Company to obtain raw materials and maintain production. The Company has price protection on its most important raw material, and has multiple sources for many of its raw materials. The Company also brought in additional quantities of some raw materials at the

beginning of the pandemic, and as a result it does not anticipate that it will have a problem maintaining production. Although the rate of production will be impacted due to staggered production hours, the Company does not expect that to affect its ability to maintain sufficient inventory and production levels to be able to fulfill sales orders on a timely basis. The Company does not expect the carrying value of its assets or its liquidity to be impaired.

4. Use of Estimates

In preparing financial statements in accordance 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, reserve for inventory obsolescence, accrued distribution fees, outdated material returns, possible impairment of marketable securities, and the allocation of overhead.

5. Reclassifications

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported net income.

In accordance with ASC Topic 606 “Revenue from Contracts with Customers”, for the three-month period ended March 31, 2019, the Company reclassified certain sales rebates from Cost of Sales to Net Sales in the amount of \$101,706. The reclassification had no effect on gross profit, net income, the provision for income taxes or earnings per share for the three-month period ended March 31, 2019. See “Revenue Recognition” below for further discussion regarding ASU Topic 606.

6. 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 at the time of purchase. 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 March 31, 2020, approximately \$699,000 exceeded the FDIC limit.

7. Revenue Recognition

The Company records revenue in accordance with ASC Topic 606 “Revenue from Contracts with Customers”. Under this 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. The Company’s principal source of revenue is product sales.

The Company’s sales, as reported, 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, primarily related to the sale of the Company’s pharmaceutical products, includes

chargebacks from the United States Department of Veterans Affairs (“VA”), rebates in connection with participation in Medicare and Medicaid programs, distribution fees, discounts and outdated product returns. These deductions represent estimates of the related obligations and, as such, knowledge and judgment are required when estimating the impact of these revenue deductions on sales for a reporting period.

The Company recognizes revenue from sales of its cosmetic ingredients, 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. Sales of pharmaceutical products are final, and revenue is recognized at the time of shipment, which is when the performance obligation is satisfied. 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 under ASC Topic 606-10-32-8. 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. Due to the Covid-19 pandemic the Company has experienced minor delays in receiving payments from customers, but nothing 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 March 31, 2020 and December 31, 2019, the allowance for doubtful accounts receivable was \$20,186 and \$21,178, respectively. Prompt pay discounts are offered to some customers; however, due the uncertainty of the customers taking the discounts, the discounts are recorded when they are taken.

The Company has distribution fee contracts with certain distributors of its pharmaceutical products that entitles them to distribution and service-related fees. The Company records distribution fees and estimates distribution fees as offsets to revenue.

Disaggregated revenue by product class is as follows:

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Cosmetic Ingredients	\$ 1,702,860	\$ 1,651,722
Pharmaceutical	1,038,710	887,601
Medical	539,196	610,508
Industrial and other	<u>42,148</u>	<u>30,487</u>
Net Sales	\$ <u>3,322,914</u>	\$ <u>3,180,318</u>

The Company's cosmetic ingredients are marketed worldwide by five marketing partners, of which U.S.-based Ashland Specialty Ingredients ("ASI") purchases the largest volume. Approximately 16% of the Company's total sales were to customers located outside of the United States in the first quarter of 2020, compared with approximately 20% in the first quarter of 2019.

Disaggregated revenue by geographic region is as follows:

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
United States*	\$ 2,791,679	\$ 2,553,743
Other countries	<u>531,235</u>	<u>626,575</u>
Net Sales	\$ <u>3,322,914</u>	\$ <u>3,180,318</u>

*Since all purchases by ASI are shipped to ASI's warehouses in the U.S. they are reported as U.S. sales for financial reporting purposes. However, ASI has reported to the Company that approximately 67% of ASI's sales of the Company's products in the first quarter of 2020 were to customers in other countries, with China representing approximately 27% of ASI's sales of the Company's products.

8. Marketable Securities

Marketable securities include investments in fixed income and equity mutual funds and U.S. Government securities with maturities greater than 3 months, which are reported at their fair values.

The Company's U.S. Treasury Bills are considered debt securities and any unrealized gains and losses are reported in other comprehensive income. The U.S. Treasury Bills are considered held to maturity securities, as they are purchased direct from the U.S. Government and are unable to be sold before the maturity date.

The disaggregated net gains and losses on the marketable securities recognized in the statements of income for the three months ended March 31, 2020 and 2019 are as follows:

	Three months ended March 31,	
	<u>2020</u>	<u>2019</u>
Net (losses) gains recognized during the period on marketable securities	\$ (356,595)	\$ 262,423
Less: Net losses recognized during the period on marketable securities sold during the period	---	<u>(5,229)</u>
Unrealized (losses) gains recognized during the reporting period on marketable securities still held at the reporting date	\$ <u>(356,595)</u>	\$ <u>257,194</u>

The fair values of the Company's marketable securities are determined in accordance with US GAAP, with fair value being defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company utilizes the three-tier value hierarchy, as prescribed by US GAAP, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company's marketable equity securities, which are considered available-for-sale securities, are re-measured to fair value on a recurring basis and are valued using Level 1 inputs using quoted prices (unadjusted) for identical assets in active markets. The following tables summarize the Company's investments:

March 31, 2020 (unaudited)

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
<u>Debt Securities</u>			
U.S. Treasury Bills (original maturities of greater than three months up to one year)	\$ <u>1,493,466</u>	\$ <u>1,493,466</u>	\$ ---
Total debt securities	<u>1,493,466</u>	<u>1,493,466</u>	---
<u>Equity Securities</u>			
Fixed income mutual funds	5,740,749	5,774,765	34,016
Equity and other mutual funds	<u>756,429</u>	<u>787,058</u>	<u>30,629</u>
Total equity securities	<u>6,497,178</u>	<u>6,561,823</u>	<u>64,645</u>
Total marketable securities	\$ <u>7,990,644</u>	\$ <u>8,055,289</u>	\$ <u>64,645</u>

December 31, 2019 (audited)

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
<u>Debt Securities</u>			
U.S. Treasury Bills (original maturities of greater than three months up to one year)	\$ 3,481,625	\$ 3,481,625	\$ ---
Total debt securities	<u>3,481,625</u>	<u>3,481,625</u>	<u>---</u>
<u>Equity Securities</u>			
Fixed income mutual funds	1,940,071	2,122,157	182,086
Equity and other mutual funds	<u>1,024,580</u>	<u>1,263,734</u>	<u>239,154</u>
Total equity securities	<u>2,964,651</u>	<u>3,385,891</u>	<u>421,240</u>
Total marketable securities	\$ <u>6,446,276</u>	\$ <u>6,867,516</u>	\$ <u>421,240</u>

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 a specific identification basis.

Proceeds from the redemption of marketable securities amounted to \$2,000,000 for the first quarter of 2020. There was no gain or loss on the redemptions, as they represented maturities of U.S. Treasury Bills. Proceeds from the sale and redemption of marketable securities amounted to \$4,480,373 for the first quarter of 2019, which includes a net loss on sales of \$5,229.

9. Inventories

	March 31, <u>2020</u> (Unaudited)	December 31, <u>2019</u> (Audited)
Inventories consist of the following:		
Raw materials	\$ 413,450	\$ 320,507
Work in process	62,478	81,002
Finished products	<u>886,859</u>	<u>815,768</u>
Total Inventories	\$ <u>1,362,787</u>	\$ <u>1,217,277</u>

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 ("FIFO") method. Finished product inventories at March 31, 2020 and December 31, 2019 are stated net of a reserve of \$35,000 for slow moving and obsolete inventory. At March 31, 2020 and December 31, 2019, the Company had an allowance of \$260,374 and \$231,392 respectively, for possible outdated material returns, which is included in accrued expenses.

The Company does not expect the coronavirus pandemic to have an impact on the valuation of the Company's finished products, work in process, or raw materials inventories.

10. 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 March 31, 2020 and December 31, 2019,

the Company did not have any unrecognized tax benefits. The Company's provision for income taxes for the three months ended March 31 comprises the following:

	Three-months ended March 31	
	<u>2020</u>	<u>2019</u>
Provision for federal income taxes - current	\$ 291,603	\$ 314,163
Provision for state income taxes - current	150	---
(Benefit) provision for federal income taxes - deferred	<u>(84,012)</u>	<u>10,856</u>
Total provision for income taxes	\$ <u>207,741</u>	\$ <u>325,019</u>

In response to the COVID-19 pandemic, the Internal Revenue Service (IRS) granted tax payment relief to companies who were due to make their estimated tax payments by April 15, 2020. In connection with the IRS relief order, the Company has delayed its first quarter federal tax payment, and currently plans to make the required payment by the revised due date of July 15, 2020.

11. Defined Contribution Plan

The Company sponsors a 401(k) defined contribution plan ("DC Plan") that provides for a dollar-for-dollar employer matching contribution of the first 4% of each employee's pay that is deferred by the employee. Employees become fully vested in employer matching contributions after one year of employment.

The Company also makes discretionary contributions to each employee's account based on a "pay-to-pay" safe-harbor formula that qualifies the 401(k) Plan under current IRS regulations. Employees become vested in the discretionary contributions as follows: 20% after two years of employment, and 20% for each year of employment thereafter until the employee becomes fully vested after six years of employment. In the fourth quarter of 2018 the Company's Board of Directors authorized a discretionary contribution in the amount of \$150,000, which was allocated among the accounts of all eligible employees and paid into their accounts in the DC Plan in December 2018. Based on that 2018 contribution, in the first quarter of 2019 the Company accrued \$37,500 for a possible discretionary contribution at the end of 2019. However, in May 2019 the Company's Board of Directors reduced the projected discretionary contribution for 2019 to \$145,000, and that is the amount that was allocated among and paid into employees' accounts in December 2019. Based on that 2019 contribution, in the first quarter of 2020 the Company accrued \$36,250 towards the projected December 2020 discretionary contribution. For the first quarters of 2020 and 2019 the Company did not make any discretionary payments into the DC Plan.

12. Other Information

Accrued Expenses

	<u>March 31, 2020</u> (unaudited)	<u>December 31, 2019</u> (audited)
Bonuses	\$ 324,000	\$ 216,000
Distribution fees	311,354	309,190
Payroll and related expenses	137,441	175,433
Reserve for outdated material	260,374	231,392

Audit fee	30,750	48,500
Insurance	86,453	---
Annual report expenses	34,824	64,324
Company 401K contribution	36,250	---
Sales rebates	28,000	46,100
Other	<u>21,662</u>	<u>38,187</u>
Total Accrued Expenses	\$ <u>1,271,108</u>	\$ <u>1,129,126</u>

13. Recent Accounting Pronouncements

On December 18, 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes", which modifies ASU 740, to simplify the accounting for income taxes. The amendments in ASU 2019-12 are effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating if any of the modifications in this pronouncement will have an impact on its financial statements.

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. In November 2019, the FASB amended the effective date of implementation of this standard for smaller reporting companies. The new effective date is for fiscal years beginning after December 15, 2022. The Company is evaluating the potential impact on its financial statements.

14. Concentrations of Credit Risk

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 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 has been reduced.

For the three months ended March 31, 2020, one of the Company's distributors and one of its marketing partners together accounted for 57% of the Company's gross sales, and 57% of its outstanding accounts receivable at March 31, 2020. During the three-month period ended March 31, 2019, the same distributor and marketing partner together were responsible for a total of approximately 55% of the Company's net sales. They also accounted for 51% of the Company's outstanding accounts receivable at March 31, 2019.

15. Earnings Per Share

Basic 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. 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 \$0.17 and \$0.27 for the three months ended March 31, 2020 and 2019, respectively.

16. Subsequent Events

The Company has evaluated all subsequent events from the date of the financial statements through the date of this report. As detailed in Note 3 above, the Covid-19 pandemic is an ongoing event, and as such, the Company is not able to project or quantify the impact of this event on the Company's future operations and financial results.

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 using such words as "believes," "may," "will," "should," "intends," "plans," "estimates," or "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. See the Company's discussion of risk factors in "**ITEM 1A. RISK FACTORS**" below for the potential impact of the coronavirus on the Company's future operations and financial results.

Accordingly, results 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 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. 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. Many of the Company's products use proprietary manufacturing processes, and the company relies primarily on trade secret protection to protect its intellectual property.

The Company's cosmetic ingredients are marketed worldwide by five 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 all of the following requirements are satisfied: (a) persuasive evidence of a sales arrangement exists; (b) products are shipped, which is when the performance obligation is satisfied and title 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 it still maintains a number of registered trademarks, the two most important of which are "Lubrajel" and "Renacidin". However, in regard to protection of the Company's proprietary formulations and manufacturing technology the Company currently relies primarily on trade secret protection rather than patent protection due to the current disclosure requirements needed to obtain patents, the limited protection they afford, and the difficulty and expense of enforcing them. However, the

Company may, from time to time, seek patent protection when it believes it would be in the Company's best interest to do so. All of the Company's previously-issued patents have expired; however, the Company does not believe that the expiration of those patents has had, or will have, any material impact on its sales, since in recent years protection for the Company's most important products has been based on trade secrets and proprietary manufacturing methods rather than patent protection.

As discussed in Note 3 above, while the Company is continuing to operate due to its status as an "essential business," it is likely that the coronavirus pandemic will have a negative impact on the Company's sales during 2020. The Company anticipates that its sales of pharmaceuticals and medical products will not be materially impacted, but it is likely that its sales of cosmetic ingredients will be negatively impacted commensurate with reduced customer demand for, and the consequent reduced production of, consumer cosmetic products. In addition, the Company distributes products to marketing partners globally, and it is difficult to assess the current conditions that exist in other countries where the Company's products are sold, and how those conditions will affect the sales of the Company's products. However, it is likely that there will be a negative impact on the Company's sales of its cosmetic ingredients in those countries. Since there is uncertainty as to what the duration of the pandemic will be, the Company is unable to provide any accurate estimate or projection as to what the full impact of the coronavirus will be on the Company's operations and financial results for the upcoming quarters.

As of the date of this report the Company does not anticipate that the coronavirus pandemic will affect the ability of the Company to obtain raw materials and maintain production. The Company has price protection on its most important raw material, and has multiple sources for many of its other raw materials. The Company also brought in additional quantities of some raw materials at the beginning of the pandemic, and as a result does not anticipate that it will have a problem maintaining production. Although the rate of production will be impacted due to staggered production hours, the Company does not expect that to affect its ability to maintain sufficient inventory and production levels to be able to fulfill sales orders on a timely basis.

CRITICAL ACCOUNTING POLICIES

As disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, 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, 2019, 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, 2019, and a comparison of the results of operations for the three months ended March 31, 2020 and March 31, 2019. This discussion and analysis should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Company's Annual Report on Form 10-K for the year

ended December 31, 2019. All references in this quarterly report to “sales” or “Sales” shall mean Net Sales.

The Company recognizes revenue from sales of its cosmetic ingredients, medical products, and industrial products when all of the following requirements are satisfied: (a) a valid purchase order has been received; (b) products are shipped, which is when the performance obligation is satisfied and title and risk of loss pass to the customers; and (c) 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

Net Sales

Net sales for the first quarter of 2020 increased by \$142,596 (approximately 4%) as compared with the first quarter of 2019. The increase in sales for the three-month period ended March 31, 2020 was primarily attributable to an increase in sales of the Company’s pharmaceutical products and industrial products, which was partially offset by decreased sales of the Company’s medical products. Sales of the Company’s cosmetic ingredients did not materially change compared with the first quarter of 2019. The changes in the sales of the products in the Company’s different products lines were as follows:

- (a) **Cosmetic Ingredients:** Sales of the Company’s cosmetic ingredients increased by \$51,138 (approximately 3%) when compared with the same period in 2019. The increase was primarily attributable to an increase in purchases of the Company’s cosmetic ingredients by ASI, whose purchases increased by \$26,561 (approximately 2%) compared with the same period in 2019 and an increase in sales to the Company’s marketing partner in France, which increased by \$87,635 (approximately 82%) compared to the same quarter in 2019.

The increases in cosmetic ingredients sales were partially offset by a decrease in sales to the Company’s three other marketing partners in Europe. Sales to the Company’s marketing partners in the UK, Italy and Switzerland decreased by a total of \$50,349 (approximately 35%) compared with the first quarter of 2019. In addition, during the first quarter of 2019, the Company had sales to its former marketing partner in Korea of \$13,979. The Company is no longer working with that former marketing partner, and has appointed ASI its marketing partner in Korea. In late 2019, the Company began transitioning the Korean business to ASI. In addition to the increases and decreases in sales attributable to the Company’s European

marketing partners, there was an increase of \$1,270 in direct sales to two cosmetic ingredient customers in the United States during the first quarter of 2020.

The sales fluctuations to the Company's European marketing partners are the result of both the timing of customer orders as well as continuing competition from companies selling competitive products at lower prices, particularly a number of Asian manufacturers. This has resulted in a loss of some business in Europe to these less expensive products. As a result, from time to time the Company has adjusted its prices in order to retain or attract customers and be more competitive 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 whenever possible.

- (b) **Pharmaceuticals:** Net pharmaceutical sales increased by \$151,109 (approximately 17%) in the first quarter of 2020 compared with the same period in 2019. Gross sales of Renacidin increased by \$194,295 (approximately 19%), and gross sales of the Company's other pharmaceutical product, Clorpectin WCS-90, decreased by \$3,745 (approximately 3%), with the overall increase in gross pharmaceutical sales being partially reduced by pharmaceutical-related fees, rebates, and allowances of \$39,441. The increase in Renacidin sales was the result of an increase in purchases by the drug wholesalers, while the small decrease in Clorpectin sales was due primarily to the timing of orders.
- (c) **Medical (non-pharmaceutical) products:** Sales of medical products decreased by \$71,312 (approximately 12%) for the first quarter of 2020 when compared with the same period in 2019. The decrease was primarily due to the lack of orders in the first quarter of 2020 from one of the Company's larger direct customers located in China due to the coronavirus pandemic. With the economy in China now beginning to emerge from the coronavirus pandemic, customers' orders that were expected in the first quarter are now expected in the second quarter of 2020.
- (d) **Industrial and other products:** Sales of specialty industrial products, as well as other miscellaneous products, increased by \$11,661 (approximately 38%) for the first quarter of 2020 compared with the same period in 2019. The increase was primarily due to an increase in sales to one customer who purchases one of the Company's specialty industrial products.

As a result of the increase in the sales of the Company's pharmaceutical products there was an increase in allowances for distribution fees, VA chargebacks, Medicaid and Medicare rebates, sales rebates and discounts, and outdated material returns. The fees, rebates, and allowances attributable to the company's pharmaceutical products increase proportionately as sales of those products increase. During the first quarter of 2020, the allowances for all the Company's products increased by a net of \$38,425 (approximately 14%) compared with the same period in 2019, primarily due to the increase in Renacidin sales.

Cost of Sales

Cost of sales as a percentage of net sales increased to approximately 42% for the first quarter of 2020, up from approximately 41% for the first quarter in 2019. The increase was primarily the result of the increase in sales of Renacidin, which carries a higher cost to manufacture than some

of the Company's other products. The Company did not experience any significant impact on costs of sales due to COVID-19.

Operating Expenses

Operating expenses, consisting of selling, general, and administrative expenses, decreased by \$31,687 (approximately 6%) for the first quarter of 2020 compared with the first quarter of 2019. The decrease was mainly due to decreases in computer services, consulting fees and certain employee fringe benefits. The Company did not experience any significant impact on selling, general, and administrative expenses due to COVID-19.

Research and Development Expenses

Research and development ("R&D") expenses increased by \$9,073 (approximately 9%) for the first quarter of 2020 compared with the first quarter of 2019. The increase was due to increases in payroll and payroll-related expenses. The Company did not experience any significant impact on its R&D work, or its R&D expenses, due to COVID-19.

Investment Income

Investment income decreased by \$100 (less than 1%) for the first quarter of 2020 compared with the first quarter of 2019. The Company did not experience any significant impact on its investment income due to COVID-19.

Net (loss) gain on Marketable Securities

Net (loss) gain on marketable securities decreased by \$613,789 (approximately 239%) for the first quarter of 2020 compared with the first quarter of 2019. In the first quarter of 2020, there was an unrealized loss of \$356,595 that resulted from the decrease in value of the Company's marketable securities due to the negative impact of the coronavirus epidemic on the stock and bond markets. Those markets took a steep drop in the first few weeks of 2020 after COVID-19 reached the United States. Since that time the market has been slowly recovering, and while it is not possible to predict future market performance overall, as of the date of this report the Company had recovered a substantial amount of the first quarter unrealized losses. In the first quarter of 2019, there had been a realized gain of \$257,194, which was the result of the stock market rebounding from a steep drop that occurred in the fourth quarter of 2018.

Provision for Income Taxes

The Company's effective income tax rate was approximately 21% for the first quarter of 2020 and 2019. The Company's tax rate is expected to remain at 21% for the current fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

Working capital increased by \$745,766 to \$10,969,988 at March 31, 2020, up from \$10,224,222 at December 31, 2019. The increase in working capital was primarily due to increases in marketable securities. The current ratio decreased to 8.0 to 1 at March 31, 2020, down from 8.6

to 1 at December 31, 2019. The decrease in the current ratio was primarily due to an increase in income taxes payable and accrued expenses.

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 material capital expenditures for the remainder of 2020. The Company intends to utilize its available cash and assets primarily for its continued organic growth and potential future strategic transactions, as well as to mitigate the potential impact of COVID-19 on the Company's business.

The Company generated cash from operations of \$1,287,295 and \$1,531,654 for the three months ended March 31, 2020 and March 31, 2019, respectively. The decrease was due to the increase in inventories and decrease in deferred income taxes.

Cash used in investing activities for the three-month period ended March 31, 2020 was \$1,545,416, compared with \$1,582,533 for the three-month period ended March 31, 2019. The decrease was primarily due to a decrease in the amount of marketable securities purchased in the first quarter of 2020 compared with the first quarter of 2019.

There was no cash used in financing activities for the first quarters of 2020 and 2019.

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

In connection with the coronavirus pandemic it is possible that certain customers of the Company may have their invoices outstanding longer than they have in the past, either due to slower payments from their customers, or as a result of having to shut down their business from time to time. However, the vast majority of the Company's customers are large companies, and the Company does not expect to have to increase its bad debt reserve, and anticipates that its invoices will be paid with minimal delays.

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 Principal 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 Principal 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 Principal 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 Principal 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

IMPACT OF COVID-19

As a result of the coronavirus pandemic, global consumer purchases have declined, including purchases of cosmetic products. Until sales of those products resume their previous levels, it is likely that some of the cosmetic manufacturers that use the Company's products will decrease their purchases of the Company's cosmetic ingredients, both in the U.S. and overseas. As a result, it is likely that sales of the Company's cosmetic ingredients

for the next few months or quarters will decrease compared with its sales for the same periods in 2019.

Over the past few years China has become a significant market for the Company's products, and it is anticipated that the impact of the coronavirus in China will negatively impact those sales until the pandemic has passed. It is also possible that the payment of some of the Company's outstanding invoices, not only for cosmetic ingredients but for the Company's other products as well, may be delayed as a result of temporary closures or cash flow problems on the part of some of the Company's customers. However, because most of the Company's customers are large distributors and wholesalers, it is anticipated that the Company will not experience any significant increase in bad debt.

Due to the uncertainty surrounding the duration of the pandemic and its impact on the various countries in which the Company does business, the Company is unable to provide any accurate estimate or projection as to what the full impact of the coronavirus will be on the Company's operations and financial results. However, the Company does not anticipate that its sales of pharmaceuticals and medical products will be materially impacted.

The Company also does not anticipate that the coronavirus pandemic will affect its ability to obtain raw materials and maintain production. The Company has price protection on its most important raw material, and multiple sources for many of its other raw materials. The Company also brought in additional quantities of some raw materials at the beginning of the pandemic, and as a result does not anticipate that it will have a problem maintaining production. However, in order to reduce working density to minimize the chances of its workers getting the virus, the Company has implemented a staggered work schedule that has resulted in fewer working hours for its employees. As a result, the Company expects its inventory levels to remain lower than usual. However, it still expects to maintain production levels sufficient to ship orders on a timely basis, and will increase its inventory levels to historical levels once it resumes its regular working hours.

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 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: May 12, 2020