

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, 2015

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting 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

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:

4,596,439 shares of common stock, par value \$.10 per share
(as of May 1, 2015)

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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,

2015

2014

Net sales	\$ <u>4,372,393</u>	\$ <u>3,959,492</u>
Costs and expenses:		
Cost of sales	1,679,202	1,432,918
Operating expenses	<u>627,235</u>	<u>615,642</u>
Total costs and expenses	<u>2,306,437</u>	<u>2,048,560</u>
Income from operations	<u>2,065,956</u>	<u>1,910,932</u>
Other income:		
Investment income	53,454	33,819
Income from damage settlement	<u>---</u>	<u>24,402</u>
Total other income	<u>53,454</u>	<u>58,221</u>
Income before income taxes	2,119,410	1,969,153
Provision for income taxes	<u>658,900</u>	<u>633,400</u>
Net income	\$ <u>1,460,510</u>	\$ <u>1,335,753</u>
Earnings per common share (Basic and Diluted)	\$ <u>0.32</u>	\$ <u>0.29</u>
Weighted average shares – basic and diluted	<u>4,596,439</u>	<u>4,596,439</u>

See notes to condensed financial statements

UNITED-GUARDIAN, INC.

STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	THREE MONTHS ENDED	
	MARCH 31,	
	<u>2015</u>	<u>2014</u>
Net income	\$ <u>1,460,510</u>	\$ <u>1,335,753</u>
Other comprehensive income:		
Unrealized gain on marketable securities during period	98,870	89,915
Income tax expense related to other comprehensive income	<u>33,616</u>	<u>31,282</u>
Other comprehensive income, net of tax	<u>65,254</u>	<u>58,633</u>
Comprehensive income	\$ <u><u>1,525,764</u></u>	\$ <u><u>1,394,386</u></u>

See notes to condensed financial statements

UNITED-GUARDIAN, INC.

BALANCE SHEETS

<u>ASSETS</u>	MARCH 31, <u>2015</u> (UNAUDITED)	DECEMBER 31, <u>2014</u> (AUDITED)
Current assets:		
Cash and cash equivalents	\$ 977,493	\$ 2,023,383
Marketable securities	12,342,066	9,389,501
Accounts receivable, net of allowance for doubtful accounts of \$18,000 at March 31, 2015 and \$30,000 at December 31, 2014	2,278,018	1,593,260
Inventories (net)	992,201	1,237,154
Prepaid expenses and other current assets	152,781	165,691
Prepaid income taxes	24,194	30,643
Deferred income taxes	<u>223,439</u>	<u>223,439</u>
Total current assets	<u>16,990,192</u>	<u>14,663,071</u>
Property, plant and equipment:		
Land	69,000	69,000
Factory equipment and fixtures	4,141,018	4,138,875
Building and improvements	<u>2,773,002</u>	<u>2,773,002</u>
Total property, plant and equipment	6,983,020	6,980,877
Less: Accumulated depreciation	<u>5,815,682</u>	<u>5,772,974</u>
Total property, plant and equipment, net	<u>1,167,338</u>	<u>1,207,903</u>
Other assets:	<u>78,692</u>	<u>68,042</u>
TOTAL ASSETS	<u>\$ 18,236,222</u>	<u>\$ 15,939,016</u>

See notes to condensed financial statements

UNITED-GUARDIAN, INC.

BALANCE SHEETS

(continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	MARCH 31, 2015 <u>(UNAUDITED)</u>	DECEMBER 31, 2014 <u>(AUDITED)</u>
Current liabilities:		
Accounts payable	\$ 208,261	\$ 141,111
Accrued expenses	852,385	833,859
Income taxes payable	<u>652,150</u>	<u>---</u>
Total current liabilities	<u>1,712,796</u>	<u>974,970</u>
 Deferred income taxes	 <u>260,724</u>	 <u>227,108</u>
 Commitments and contingencies		
 Stockholders' equity:		
Common stock \$.10 par value, authorized, 10,000,000 shares; 4,596,439 shares issued and outstanding at March 31, 2015 and December 31, 2014	 459,644	 459,644
Accumulated other comprehensive income	325,123	259,869
Retained earnings	<u>15,477,935</u>	<u>14,017,425</u>
Total stockholders' equity	<u>16,262,702</u>	<u>14,736,938</u>
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 \$ <u>18,236,222</u>	 \$ <u>15,939,016</u>

See notes to condensed financial statements

UNITED-GUARDIAN, INC.

STATEMENTS OF CASH FLOWS

(UNAUDITED)

	THREE MONTHS ENDED	
	MARCH 31,	
	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Net income	\$ 1,460,510	\$ 1,335,753
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	42,708	46,151
Realized loss on sale of investments	---	17,582
Provision for bad debts	(12,326)	---
(Decrease) increase in cash resulting from changes in operating assets and liabilities:		
Accounts receivable	(672,432)	(898,344)
Receivable from damage settlement	---	48,805
Inventories	244,953	(52,906)
Prepaid expenses and other assets	2,260	(44,774)
Prepaid income taxes	6,449	---
Accounts payable	67,150	(176,691)
Accrued expenses and taxes payable	670,676	606,636
Deferred revenue	<u>---</u>	<u>10,000</u>
Net cash provided by operating activities	<u>1,809,948</u>	<u>892,212</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(2,143)	(4,127)
Proceeds from sale of marketable securities	---	459,723
Purchase of marketable securities	<u>(2,853,695)</u>	<u>(2,008,884)</u>
Net cash used in investing activities	<u>(2,855,838)</u>	<u>(1,553,288)</u>
Net decrease in cash and cash equivalents	(1,045,890)	(661,076)
Cash and cash equivalents at beginning of period	<u>2,023,383</u>	<u>1,634,262</u>
Cash and cash equivalents at end of period	\$ <u>977,493</u>	\$ <u>973,186</u>

See notes to condensed financial statements

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 and other personal care products, pharmaceuticals, medical and health care products and proprietary specialty industrial products.

2. Basis of Presentation

Interim financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information, pursuant to the requirements for reporting on Form 10-Q and Regulation SX. 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 current period are not necessarily indicative of results that ultimately may be achieved for any other interim period or for the year ending December 31, 2015. The interim unaudited 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, 2014.

3. Stock-Based Compensation

The Company does not have any stock-based compensation plans.

4. Recent Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09, “Revenue from Contracts with Customers.” This standard applies to any entity that uses the guidance of GAAP for entering into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. It requires that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for the exchange of goods or services. This amendment is effective for interim and annual reporting periods beginning after December 15, 2016. The Company is still evaluating the potential impact on the Company’s results of operations.

In June 2014, FASB issued ASU 2014-11, “Transfers and Servicing: Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures.” This standard aligns the accounting for repurchase-to-maturity transactions and repurchase agreements executed as a repurchase financing with accounting for other typical repurchase agreements. These types of transactions will now be accounted for as secured borrowings. It eliminates sales accounting for repurchase-to-maturity and supersedes guidance for accounting transactions involving transfers of financial assets with contemporaneous repurchase financing agreements that leads to off-balance accounting. This update becomes effective for interim and annual reporting periods beginning

after December 15, 2014 and is not expected to have a material impact on the Company's results of operations.

In August 2014, FASB issued ASU 2014-15, "Presentation of Financial Statements-Going Concern. Disclosure of Uncertainties about Entity's Ability to Continue as a Going Concern." Currently, GAAP lacks guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern. This amendment now provides guidance by providing a definition of substantial doubt, requires evaluation by management every reporting period for going concern issues, provides principles for considering any mitigating effects implemented by management, and the disclosures required for the assessment period of one year after issuance of the financial statements. This update becomes effective for interim and annual reporting periods beginning after December 15, 2016 with early application being permitted. The update has been adopted for reporting periods starting January 2015, and is not expected to have a material impact on the Company's results of operations.

5. Investments

The fair values of the Company's marketable securities are determined in accordance with 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. 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 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 for the full term of the financial statement.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

March 31, 2015

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
<u>Available for sale:</u>			
Fixed income mutual funds	\$ 11,223,249	\$ 11,519,704	\$ 296,455
Equity and other mutual funds	<u>626,206</u>	<u>822,362</u>	<u>196,156</u>
	\$ <u>11,849,455</u>	\$ <u>12,342,066</u>	\$ <u>492,611</u>

December 31, 2014Available for sale:

Fixed income mutual funds	\$ 8,373,674	\$ 8,575,285	\$ 201,611
Equity and other mutual funds	<u>622,086</u>	<u>814,216</u>	<u>192,130</u>
	\$ <u>8,995,760</u>	\$ <u>9,389,501</u>	\$ <u>393,741</u>

For the first quarter of 2015 there were no proceeds or realized gains and losses from the sale and redemption of marketable securities. Proceeds from the sale and redemption of marketable securities amounted to \$459,723 for the first quarter of 2014, and generated realized losses of \$17,582.

Investment income consisted principally of unrealized and realized gains and losses, interest income from bonds and money market funds and dividend income from bond funds and mutual funds.

Marketable securities include investments in fixed income and equity mutual funds and government securities, which are classified as "available-for-sale" securities and are reported at their fair values. Unrealized gains and losses on "available-for-sale" securities are reported as accumulated other comprehensive income (loss) in stockholders' equity, net of the related tax effects. Investment income is recognized when earned. Realized gains and losses on sales of investments are determined on a specific identification basis.

6. Inventories

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Inventories consist of the following:		
Raw materials and work in process	\$ 483,252	\$ 395,092
Finished products	<u>508,949</u>	<u>842,062</u>
	\$ <u>992,201</u>	\$ <u>1,237,154</u>

Inventories are valued at the lower of cost or current market value. Cost is determined using the average cost method, which approximates cost determined by the first-in, first-out ("FIFO") method. Finished products inventories at March 31, 2015 and December 31, 2014 are stated net of a reserve of \$20,000 for slow moving and obsolete inventory.

7. Supplemental Financial Statement Information

For purposes of the Statements of Cash Flows, the Company considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

For the first quarter of 2015 there were cash payments for taxes in the amount of \$300, as compared with \$159,589 in the first quarter of 2014. There were no payments for interest for the first quarters of 2015 and 2014.

Research and development expenses amounted to \$146,808 and \$146,968 for the first quarters of 2015 and 2014, respectively, and are included in operating expenses.

There were no dividends paid in the first quarters of 2015 and 2014.

8. 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, which are offset by a valuation allowance to the extent that it is more likely than not that the deferred tax assets will not be realized. As of December 31, 2014 and March 31, 2015, the Company did not have any unrecognized tax benefits.

The Company files consolidated Federal income tax returns in the United States with its inactive subsidiary, and separate income tax returns in New York State. The Company is subject to examination by the Internal Revenue Service and by New York State for years 2011 through 2014.

The Company's policy is to recognize interest and penalties as interest expense.

9. Comprehensive Income

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

<u>Changes in Accumulated Other Comprehensive Income</u>	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Beginning balance	\$ 259,869	\$ 132,123
Unrealized gain on marketable securities before reclassifications - net of tax	65,254	76,216
Realized loss on sale of securities reclassified from accumulated other comprehensive income	<u>---</u>	<u>(17,582)</u>
Ending balance - net of tax	\$ <u>325,123</u>	\$ <u>190,757</u>

10. Income from Damage Settlement

In May 2012 the Company's supplier of RENACIDIN® IRRIGATION ("RENACIDIN") curtailed production due to manufacturing issues. As a result of that curtailment, the Company and its supplier entered into a settlement agreement whereby the supplier agreed to pay the Company \$518,050 for profit the Company lost during 2012 as a result of the curtailment, and an additional \$97,610 a month beginning January 1, 2013 for each month that the curtailment continued. It also agreed to pay an additional \$48,805 for the first two months after shipments resumed, and another \$24,402 for the third month after production resumed, as "ramp-up" payments. The payments were to continue until either the supply contract ended in January 2014, or until product delivery resumed, whichever occurred first. Because deliveries resumed at the end of October 2013, the obligation to pay \$97,610 per month ceased as of that time, and the supplier's final payment to the Company of \$24,402 was made in the first quarter of 2014.

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. In addition, the Company has been accruing \$175,000 per year 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 IRS regulations. The Company accrued \$43,750 in contributions to the DC Plan for each of the first quarters of 2015 and 2014. For the first quarters of 2015 and 2014 the Company did not make any discretionary contributions to the DC Plan.

12. Related Party Transactions

During the three-month period ended March 31, 2015 and 2014 the Company did not pay any fees to Bonamassa, Maietta and Cartelli, LLP for accounting and tax services. Lawrence Maietta, a partner in Bonamassa, Maietta and Cartelli, LLP, is a director of the Company.

13. Other Information

Accrued Expenses

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Bonuses	\$ 350,000	\$ 225,000
Distribution fees	204,418	203,483
Payroll and related expenses	143,041	127,585
Annual report expenses	34,212	61,000
Audit fee	41,766	82,000
Sales rebates	---	96,000
Other	<u>78,948</u>	<u>38,791</u>
Total Accrued Expenses	\$ <u>852,385</u>	\$ <u>833,859</u>

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," 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.

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 conducts research, product development, manufacturing and marketing of cosmetic ingredients, personal and health care products, pharmaceuticals, and 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. 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 five marketing partners, of which Ashland Specialty Ingredients ("ASI") purchases the largest volume of products from the

Company. Approximately 65% of the Company's products are sold, either directly or through the Company's marketing partners, to end users located outside of the United States.

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 United States Department of Veterans Affairs.

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 as a result 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 similar functions or properties to the Company's products.

The Company recognizes revenue when products are shipped, title and risk of loss pass to the customers, persuasive evidence of a sales arrangement exists, and 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's 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, 2014, 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 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, 2014, 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, 2014, and a comparison of the results of operations for the three months ended March 31, 2015 and March 31, 2014. 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, 2014.

RESULTS OF OPERATIONS

Net Sales

Net sales for the first quarter of 2015 increased by \$412,901 (10.4%) as compared with the first quarter of 2014. The change in net sales for the three-month period ended March 31, 2015 was primarily attributable to increased sales of the Company's personal care and pharmaceutical products, offset by decreases in sales of its medical and industrial products, as follows:

- (a) **Personal care products:** Sales of personal care products increased by \$371,320 (12.0%) when compared with the same period in 2014. This increase was the result of an increase of \$291,759 (10.6%) in sales of personal care products to the Company's largest marketing partner, along with a net increase of \$79,561 (24.4%) in sales of those products to the Company's other marketing partners. The Company believes that the overall increase in personal care product sales was due to a number of factors, including an increase in demand for the Company's products, especially in Asia, the replenishment of low inventory levels of certain products by the Company's largest marketing partner, and the timing of customer orders.
- (b) **Pharmaceuticals:** Pharmaceutical sales increased by \$92,785 (27.4%) in the first quarter of 2015 compared with the same period in 2014. The increase in pharmaceutical sales in the first quarter of 2015 was due to the relatively low sales of RENACIDIN in the first quarter of 2014. RENACIDIN had been unavailable from August 1, 2012 to October 31, 2013 due to regulatory and manufacturing problems experienced by the Company's sole supplier. After the resumption of RENACIDIN sales in late 2013 the Company's customers immediately restocked the product, which then caused a drop in sales during the first quarter of 2014. While the sales of RENACIDIN are still far below historical levels, which the Company believes is the result of the product being off the market for over a year, the Company has seen a gradual increase in sales over the past year.

The Company is currently working with a new supplier that will be producing RENACIDIN in a new single-dose container, which the Company anticipates may increase its sales of this product in future years. In August 2014 the Company filed an application with the FDA to market the new container size, and had originally expected to receive approval by the end of the first quarter of 2015. Recently the Company was informed by the FDA that its review may not be completed until June 2015. Based on this timing, the Company hopes to have the new product on the market in the first quarter of 2016. However, any delays in FDA approval could change that timetable. Meanwhile, the Company is continuing to receive new shipments of the current dosage form of RENACIDIN, and expects to have adequate inventory to last until the new single-dose form is approved.

- (c) **Medical products:** Sales of medical products decreased by \$39,295 (7.0%) for the first quarter of 2015 when compared with the same period in 2014. The Company believes the decrease was primarily due to the timing of orders, as well as the ordering patterns of some of its customers, some of which order large quantities of product but may not order product in every fiscal quarter.

- (d) **Industrial and other products:** Sales of specialty industrial products, as well as other miscellaneous products, decreased by \$10,607 (31.4%) for the first quarter of 2015 compared with the same period in 2014.

In addition to the above changes in sales, net sales allowances increased by \$1,302 (2.3%) for the first quarter of 2015 when compared with the same period in 2014. This increase was primarily due to increases in chargebacks paid to the U.S. Department of Veterans Affairs, as well as allowances for distribution fees and outdated material. These increases were offset by decreases in sales discounts and sales returns and allowances.

Cost of Sales

Cost of sales as a percentage of sales increased to 38.4% for the first quarter of 2015, up from 36.2% for the first quarter in 2014. The increase was primarily the result of the change in the Company's product mix of sales. The increase in sales of RENACIDIN, which is manufactured for the Company by a third party manufacturer and has a lower margin than some of the Company's other products, as well as an increase in sales of certain of the Company's lower-margin LUBRAJEL products, resulted in the slightly higher cost of sales.

Operating Expenses

Operating expenses consist of selling, general, and administrative expenses. Operating expenses increased by \$11,593 (1.9%) for the first quarter of 2015 compared with the first quarter of 2014.

Other Income

Other income decreased by \$4,767 (8.2%) for the first quarter 2015 compared with the first quarter of 2014. The decrease was attributable to the cessation of the RENACIDIN compensation payments, which was partially offset by an increase in investment income. As a result of a production curtailment by the Company's sole supplier of RENACIDIN the supplier agreed to pay the Company \$97,610 per month beginning January 1, 2013 for each month that the RENACIDIN production curtailment continued, as well as "ramp- up" payments of an additional \$48,805 for the first two months after shipments resumed. Since production resumed at the end of 2013, the Company received the final compensation payment in the first quarter of 2014, after which the supplier's obligation to compensate the Company terminated. As a result, no further compensation payments were made after the first quarter of 2014, thus decreasing other income by \$24,402 for the first quarter of 2015. For more information see the Company's Annual Report on Form 10-K for 2014 and 2013.

The Company earns dividend income from both stock and bond mutual funds. The Company's investment income for the first quarter of 2015 increased by \$19,635 (58.1%) compared with the first quarter of 2014, due to the Company having realized losses of \$17,582 from the sale of marketable securities in the first quarter of 2014.

Provision for Income Taxes

The provision for income taxes increased by \$25,500 (4.0%) for the first quarter of 2015 when compared with the same period in 2014. This increase was due to an increase in net income from operations before taxes of \$150,257 (7.6%) in 2015 when compared with 2014.

The Company's effective income tax rate was approximately 31.0% and 32.0% for the first quarter of 2015 and 2014 respectively, and is expected to remain consistent for the current fiscal year. The decrease in the effective rate is mainly due to New York State changing its corporate tax laws.

LIQUIDITY AND CAPITAL RESOURCES

Working capital increased by \$1,589,295 to \$15,277,396 at March 31, 2015, up from \$13,688,101 at December 31, 2014. The increase in working capital is primarily due to increases in marketable securities and accounts receivable, partially offset by an increase in taxes payable. The current ratio decreased to 9.9 to 1 at March 31, 2015, down from 15.0 to 1 at December 31, 2014. The decrease in the current ratio was primarily due to the effect of an increase in income taxes payable.

During the three-month period ended March 31, 2015, the average period of time that an account receivable was outstanding was approximately 40 days. The average period of time that an account receivable was outstanding during the three-month period ended March 31, 2014 was 51 days. The decrease was the result of stricter enforcement of the Company's payment terms.

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 2015.

The Company generated cash from operations of \$1,809,948 and \$892,212 for the three months ended March 31, 2015 and March 31, 2014, respectively. The increase was primarily due to an increase in accounts payable and a decrease in inventory.

Cash used in investing activities for the three-month period ended March 31, 2015 was \$2,855,838, while cash used in investing activities for the three-month period ending March 31, 2014 was \$1,553,288. The increase was primarily due to an increase in the amount of marketable securities being purchased and not sold in the first quarter of 2015 compared with the first quarter of 2014.

There was no cash used in financing activities for the first quarters of 2015 and 2014.

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

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 4 to the Financial Statements for a description of recent accounting pronouncements, including the expected dates of adoption and the anticipated impact on the financial statements.

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

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 Robert S. Rubinger, 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/ ROBERT S. RUBINGER
Robert S. Rubinger
Chief Financial Officer

Date: May 6, 2015