

Incorporation or Organization)

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

Cover Page 1 of 2

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:

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

(as of May 1, 2016)

UNITED-GUARDIAN, INC.

INDEX TO FINANCIAL STATEMENTS

Page No.

Part I. FINANCIAL INFORMATION

Item 1 - Condensed Financial Statements:

<u>Statements of Income - Three months ended March 31, 2016 and 2015</u>	<u>2</u>
<u>Statements of Comprehensive Income - Three months ended March 31, 2016 and 2015</u>	<u>3</u>
<u>Balance Sheets – March 31, 2016 and December 31, 2015</u>	<u>4-5</u>
<u>Statements of Cash Flows – Three months ended March 31, 2016 and 2015</u>	<u>6</u>
<u>Notes to Condensed Financial Statements</u>	<u>7-10</u>
<u>Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>10-15</u>
<u>Item 3 - Quantitative and Qualitative Disclosures About Market Risk</u>	<u>15</u>
<u>Item 4 - Controls and Procedures</u>	<u>15-16</u>

Part II. OTHER INFORMATION

<u>Item 1 - Legal Proceedings</u>	<u>16</u>
<u>Item 1A - Risk Factors</u>	<u>16</u>
<u>Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>16</u>
<u>Item 3 - Defaults Upon Senior Securities</u>	<u>16</u>
<u>Item 4 - Mine Safety Disclosures</u>	<u>16</u>
<u>Item 5 - Other Information</u>	<u>16</u>
<u>Item 6 - Exhibits</u>	<u>16</u>
<u>Signatures</u>	<u>17</u>

Part I. FINANCIAL INFORMATION**ITEM 1. Condensed Financial Statements.**

UNITED-GUARDIAN, INC.

STATEMENTS OF INCOME

(UNAUDITED)

	THREE MONTHS ENDED	
	MARCH 31,	
	<u>2016</u>	<u>2015</u>
Net sales	\$2,262,576	\$4,372,393
Costs and expenses:		
Cost of sales	897,725	1,679,202
Operating expenses	467,556	460,927
Research and development	177,566	166,308
Total costs and expenses	1,542,847	2,306,437
Income from operations	719,729	2,065,956
Other income:		
Investment income	43,312	53,454
Income before provision for income taxes	763,041	2,119,410
Provision for income taxes	237,950	658,900
Net income	\$525,091	\$1,460,510
Earnings per common share (Basic and Diluted)	\$0.11	\$0.32
Weighted average shares – basic and diluted	4,594,319	4,596,439

See notes to condensed financial statements

Page 2 of 17

UNITED-GUARDIAN, INC.

STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

	THREE MONTHS ENDED	
	MARCH 31,	
	<u>2016</u>	<u>2015</u>
Net income	\$525,091	\$1,460,510
Other comprehensive income:		
Unrealized gain on marketable securities during period	151,068	98,870
Income tax expense related to other comprehensive income	51,363	33,616
Other comprehensive income, net of tax	99,705	65,254
Comprehensive income	\$624,796	\$1,525,764

See notes to condensed financial statements

Page 3 of 17

UNITED-GUARDIAN, INC.

BALANCE SHEETS

<u>ASSETS</u>	MARCH 31, 2016 (UNAUDITED)	DECEMBER 31, 2015 (AUDITED)
Current assets:		
Cash and cash equivalents	\$ 1,261,308	\$ 1,080,489
Marketable securities	11,417,153	10,719,470
Accounts receivable, net of allowance for doubtful accounts of \$8,654 at March 31, 2016 and December 31, 2015	1,295,747	934,754
Inventories (net)	1,528,456	1,293,642
Prepaid expenses and other current assets	203,766	160,533
Prepaid income taxes	-	95,767
Deferred income taxes	233,305	233,305
Total current assets	15,939,735	14,517,960
Property, plant and equipment:		
Land	69,000	69,000
Factory equipment and fixtures	4,181,810	4,175,940
Building and improvements	2,776,602	2,776,602
Total property, plant and equipment	7,027,412	7,021,542
Less: Accumulated depreciation	5,964,759	5,925,429
Total property, plant and equipment, net	1,062,653	1,096,113
Other assets (net):	70,413	74,118
TOTAL ASSETS	\$ 17,072,801	\$ 15,688,191

See notes to condensed financial statements

Page 4 of 17

UNITED-GUARDIAN, INC.

BALANCE SHEETS (continued)**LIABILITIES AND STOCKHOLDERS' EQUITY**

	MARCH 31, 2016	DECEMBER 31, 2015
	(UNAUDITED)	(AUDITED)
Current liabilities:		
Accounts payable	\$ 348,223	\$96,815
Accrued expenses	1,100,783	785,623
Income taxes payable	141,883	---
Dividends payable	105,929	105,929
Total current liabilities	1,696,818	988,367
Deferred income taxes	169,373	118,010
Commitments and contingencies		
Stockholders' equity:		
Common stock \$.10 par value, authorized, 10,000,000 shares; 4,594,319 shares issued and outstanding at March 31, 2016 and December 31, 2015	459,432	459,432
Accumulated other comprehensive income	172,066	72,361
Retained earnings	14,575,112	14,050,021
Total stockholders' equity	15,206,610	14,581,814
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 17,072,801	\$ 15,688,191

See notes to condensed financial statements

Page 5 of 17

UNITED-GUARDIAN, INC.

STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Net income	\$525,091	\$1,460,510
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	43,036	42,708
Realized loss on sale of investments	10,180	---
Recovery of bad debts	---	(12,326)
(Decrease) increase in cash resulting from changes in operating assets and liabilities:		
Accounts receivable	(360,993)	(672,432)
Inventories	(234,814)	244,953
Prepaid expenses and other assets	(43,233)	2,260
Prepaid income taxes	95,767	6,449
Accounts payable	251,407	67,150
Income taxes payable	141,883	---
Accrued expenses	315,160	670,676
Net cash provided by operating activities	743,484	1,809,948
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(5,870)	(2,143)
Proceeds from sale of marketable securities	49,045	---
Purchase of marketable securities	(605,840)	(2,853,695)
Net cash used in investing activities	(562,665)	(2,855,838)
Net increase (decrease) in cash and cash equivalents	180,819	(1,045,890)
Cash and cash equivalents at beginning of period	1,080,489	2,023,383
Cash and cash equivalents at end of period	\$1,261,308	\$977,493
Supplemental disclosure of cash flow information		
Taxes paid	\$450	\$300

See notes to condensed financial statements

Page 6 of 17

UNITED-GUARDIAN, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

1. Nature of Business

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

2. Basis of Presentation

Interim financial statements of the Company are prepared in accordance with Generally Accepted Accounting Principles in the United States of America (“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, 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, 2016. 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, 2015.

3. Reclassification of Prior Presentation

Certain prior amounts have been reclassified for consistency with the current period presentation. This reclassification had no effect on the reported income from operations. During the third quarter 2015, the Company concluded that it was appropriate to reclassify research and development costs as a separate item on the statements of income. Previously, such expenses were included with operating expenses.

4. 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 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, 2016 (Unaudited)

Available for sale:	<u>Cost</u>	<u>Fair Value</u>	Unrealized <u>Gain</u> <u>(Loss)</u>
Fixed income mutual funds	\$ 10,497,924	\$ 10,564,616	\$ 66,692
Equity and other mutual funds	658,523	852,537	194,014
	\$ 11,156,447	\$ 11,417,153	\$ 260,706

December 31, 2015 (Audited)

Available for sale:			
Fixed income mutual funds	\$ 9,968,948	\$ 9,900,587	\$(68,361)
Equity and other mutual funds	640,884	818,883	177,999
	\$ 10,609,832	\$ 10,719,470	\$ 109,638

For the first quarter of 2016 there was \$10,180 of net realized losses from the sale and redemption of marketable securities.

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

5 Inventories

March 31,	December
<u>2016</u>	<u>31,</u>
	<u>2015</u>
(Unaudited)	(Audited)

Inventories consist of the following:

Raw materials	\$307,312	\$334,320
Work in process	66,895	44,836
Finished products	1,154,249	914,486
	\$1,528,456	\$1,293,642

Page 8 of 17

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, 2016 and December 31, 2015 are stated net of a reserve of \$20,000, for each period, for slow moving and obsolete inventory.

6. 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, 2015 and March 31, 2016, the Company did not have any unrecognized tax benefits.

7. Comprehensive Income

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

	<u>March 31,</u>	<u>December</u>
	<u>2016</u>	<u>31, 2015</u>
Changes in Accumulated Other Comprehensive Income		
Beginning balance	\$72,361	\$259,869
Unrealized gain (loss) on marketable securities before reclassifications - net of tax	110,515	(189,903)
Realized (loss) gain on sale of securities reclassified from accumulated other comprehensive income	(10,810)	2,395
Ending balance - net of tax	\$172,066	\$72,361

8. 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 with IRS regulations. The Company accrued \$43,750 in contributions to the DC Plan for each of the first quarters of 2016 and 2015. For the first quarters of 2016 and 2015 the Company did not make any discretionary contributions to the DC Plan.

9. Other Information

Accrued Expenses

	<u>March 31,</u> <u>2016</u>	<u>December</u> <u>31, 2015</u>
Bonuses	\$375,000	\$250,000
Distribution fees	207,600	206,977
Payroll and related expenses	203,191	109,451
Annual report expenses	40,940	66,000
Audit fee	68,000	82,000
Insurance	124,709	---
Other	81,343	71,195
Total Accrued Expenses	\$1,100,783	\$785,623

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, through its Guardian Laboratories division, conducts research, product development, manufacturing and marketing of cosmetic ingredients, personal and health care products, pharmaceuticals, medical products, and proprietary specialty industrial products. All of the products that the Company manufactures, with the exception of RENACIDIN[®], are produced at its facility in Hauppauge, New York, and are marketed through marketing partners, distributors, wholesalers, direct advertising, mailings, and trade exhibitions. Its most important product line is its LUBRAJEL[®] line of water-based moisturizing and lubricating gels, which are used primarily as ingredients in cosmetic products. 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 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, 2015, 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, 2015, 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, 2015, and a comparison of the results of operations for the three months ended March 31, 2016 and March 31, 2015. 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, 2015.

RESULTS OF OPERATIONS

Net Sales

Net sales for the first quarter of 2016 decreased by \$2,109,817 (48.3%) as compared with the first quarter of 2015. The change in net sales for the three-month period ended March 31, 2016 was primarily attributable to a decrease in sales of the Company's personal care products, which was partially offset by increases in sales of its pharmaceutical, medical, and industrial products, as follows:

- (a) **Personal care products:** Sales of personal care products decreased by \$2,375,619 (68.7%) when compared with the same period in 2015. Most of the decrease was attributable to a decline in purchases by ASI of one of the Company's LUBRAJEL products for sale in China. This decline in purchases by ASI was almost entirely the result of (1) overly optimistic order forecasts by some of ASI's customers in China, which did not materialize, and (2) a regulatory issue in China that was unrelated to the Company's LUBRAJEL product but which resulted in a curtailment in the production of some cosmetic products that were formulated with LUBRAJEL. In anticipation of the projected orders for LUBRAJEL by ASI's customers in China, ASI began building inventory of LUBRAJEL starting in the 4th quarter of 2014. As a result of demand not reaching the original projections, and the temporary restriction imposed by the Chinese government on certain cosmetic products, some of which also contained LUBRAJEL, ASI has been working off its inventory of LUBRAJEL to meet the current demand in China. Based

upon ASI's current order forecasts from its customers in China, ASI's purchases of LUBRAJEL are expected to resume gradually, but will probably not be significant until at least the 3rd quarter of this year. Going forward, the Company will work closely with ASI to rebuild sales of LUBRAJEL to customers in China. In addition, the Company will assess its pricing strategy, where necessary, in order to be as competitive as possible.

Sales of the Company's personal care products to the Company's other five marketing partners decreased by a net \$28,395 (7.3%), with an increase to the Company's second largest marketing partner offset by a decrease to two of its other marketing partners. The sales fluctuations to these five other marketing partners are primarily the result of the timing of customer orders, but sales of the Company's products in Western Europe continue to be negatively impacted by both the continuing economic problems in Europe, as well as the strong U.S. dollar relative to the Euro, which made the Company's products less competitive in Europe. There has been more competition in Europe and Asia in the last 2-3 years than there had been in previous years, due to other companies selling imitations of the Company's products at much lower prices, particularly a Korean company that is manufacturing imitations of the Company's products in China. This has resulted in a loss of some customers to these competitive products. From time to time it has been necessary for the Company to lower its prices in order to retain or attract certain customers for some of its products, and this has impacted its profit margins on those sales. To date this impact has not been significant, however the Company expects that it will be necessary to continue to lower its prices in certain cases, at least for the near future, in order to remain competitive in the marketplace.

Pharmaceuticals: Pharmaceutical sales increased by \$104,681 (24.3%) in the first quarter of 2016 compared with the same period in 2015. This increase was due primarily to a \$90,569 (28.9%) increase in sales of RENACIDIN. Because of two prior RENACIDIN production curtailments by the Company's previous contract manufacturer, sales of RENACIDIN are still well below historical levels. However, during the past year the Company has seen a gradual increase in RENACIDIN sales. More importantly, in December 2015 the Company received approval by (b) the U.S. Food and Drug Administration to market RENACIDIN in a new easy-to-use single-dose plastic 30mL bottle, which replaces the older 500mL glass bottle. The Company has initiated an aggressive marketing campaign to create awareness of the benefits of the new packaging form among urologists, pharmacists and patients. As a result, the Company anticipates that revenue from the sales of RENACIDIN in this new package form will steadily increase as more urologists and end users become aware of its many benefits. Sales of the new product began on March 31, 2016, at the same time as supplies of the older 500mL bottle were depleted.

Medical products: Sales of medical products increased by \$151,290 (29.1%) for the first quarter of 2016 when compared with the same period in 2015. The Company believes that the increase was primarily due to the timing of (c) orders, as well as the ordering patterns of many of its customers, which order large quantities of product but may not place the same number of orders in every fiscal quarter.

Industrial and other products: Sales of specialty industrial products, as well as other miscellaneous products, (d) increased by \$19,379 (83.5%) for the first quarter of 2016 compared with the same period in 2015.

In addition to the above changes in sales, net sales allowances increased by \$9,547 (16.3%) for the first quarter of 2016 when compared with the same period in 2015. 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. 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 39.7% for the first quarter of 2016, up from 38.4% for the first quarter in 2015. 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 many of the Company's other products, as well as a decrease in sales of the Company's higher-margin LUBRAJEL products, resulted in the higher cost of sales.

Operating Expenses

Operating expenses, consisting of selling, general, and administrative expenses, increased by \$6,629 (1.4%) for the first quarter of 2016 compared with the first quarter of 2015. Operating expenses are expected to remain relatively consistent.

Research and Development Expenses

Research and development expenses increased by \$11,258 (6.8%) for the first quarter of 2016 compared with the first quarter of 2015. The increase related to increases in payroll and payroll-related expenses due to normal fluctuations in new product development.

Other Income

Other income decreased by \$10,142 (19.0%) for the first quarter of 2016 compared with the first quarter of 2015 due to the Company having realized a loss of \$10,180 from the sale of marketable securities in the first quarter of 2016. The Company earns dividend income from both stock and bond mutual funds.

Provision for Income Taxes

The Company's effective income tax rate was approximately 31.0% for the first quarter of 2016 and 2015 and is expected to remain consistent for the current fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

Working capital increased by \$713,324 to \$14,242,917 at March 31, 2016, up from \$13,529,593 at December 31, 2015. The increase in working capital is primarily due to increases in marketable securities and accounts receivable. The current ratio decreased to 9.4 to 1 at March 31, 2016, down from 14.7 to 1 at December 31, 2015. The decrease in the current ratio was primarily due to the effect of an increase in accounts 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 significant capital expenditures for the remainder of 2016.

The Company generated cash from operations of \$743,484 and \$1,809,948 for the three months ended March 31, 2016 and March 31, 2015, respectively. The decrease was primarily due to the reduction in net income.

Cash used in investing activities for the three-month period ended March 31, 2016 was \$562,665, while cash used in investing activities for the three-month period ended March 31, 2015 was \$2,855,838. The decrease was primarily due to a decrease in the amount of marketable securities purchased in the first quarter of 2016 compared with the first quarter of 2015.

There was no cash used in financing activities for the first quarters of 2016 and 2015.

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.

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.

Page 16 of 17

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 12, 2016