UNITED GUARDIAN INC
Form 10KSB
March 27, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 1O-K

(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

OR
¨ TRANSITION REPORT PURSUANT TO SECTION 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.

(Name of registrant as specified in its charter)

Delaware	11-1719724
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
230 Marcus Blvd., Hauppauge, NY	11788
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (631) 273-0900

Securities registered pursuant to Section l2(b) of the Act:

Title of each class	Name of each exchange on v
Common Stock, $.10 par value	American Stock Exch

Securities registered pursuant to Section l2(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act
Yes o No þ

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 preceding 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.
Yesþ Noo

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company.)	Smaller reporting company þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes ¨ No þ

As of the last business day of the registrant s most recently completed second fiscal quarter the aggregate market value of the registrant's common stock held by non-affiliates (based on the closing sales price of such shares on the American Stock Exchange) was approximately $27,769,956. (For the purpose of this report it has been assumed that all officers and directors of the Registrant, as well as all stockholders holding 10% or more of Registrant's stock, are affiliates of the Registrant).

As of March 1, 2008, the Registrant had issued 5,008,639 shares of Common Stock, $.10 par value per share ("Common Stock"), of which 4,946,439 shares were outstanding and 62,200 held as Treasury Stock.

DOCUMENTS INCORPORATED BY REFERENCE:

Certain information required by Part III (portions of Item 10, as well as Items 11, 12, and 13) is incorporated by reference to the Registrant's definitive proxy statement for the 2008 annual meeting of stockholders ("2008 Proxy Statement"), which, pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, is to be filed with the Securities and Exchange Commission no later than 120 days after Registrant's fiscal year end.

This annual report on Form 10-K contains both historical and "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which provides a safe harbor for forward-looking statements by the Registrant about its expectations or beliefs concerning future events, such as financial performance, business prospects, and similar matters. The Registrant desires to take advantage of such "safe harbor" provisions and is including this statement for that express purpose. Words such as "anticipates", "believes", "expects", "intends", "future", and similar expressions identify forward-looking statements. Any such "forward-looking" statements in this report reflect the Registrant's current views with respect to future events and financial performance, and are subject to a variety of factors that could cause Registrant's actual results or performance to differ materially from historical results or from the anticipated results or performance expressed or implied by such forward-looking statements. Because of such factors, there can be no assurance that the actual results or developments anticipated by the Registrant will be realized or, even if substantially realized, that they will have the anticipated results. The risks and uncertainties that may affect Registrant's business include, but are not limited to: economic conditions, governmental regulations, technological advances, pricing and competition, acceptance by the marketplace of new products, retention of key personnel, the sufficiency of financial resources to sustain and expand Registrant's operations, and other factors described in this report and in prior filings with the United States Securities and Exchange Commission ("SEC") Readers should not place undue reliance on such forward-looking statements, which speak only as of the date hereof, and should be aware that except as may be otherwise legally required of Registrant, Registrant undertakes no obligation to publicly revise any such forward-looking statements to reflect events or circumstances that may arise after the date hereof.

PART I

Item 1. Business.

(a) Introduction

United-Guardian, Inc. ("United" or "Registrant") is a Delaware corporation that, through its Guardian Laboratories Division ("Guardian"), conducts research, product development, manufacturing and marketing of cosmetic ingredients, personal and health care products, pharmaceuticals, and specialty industrial products. Until December 11, 2007, United also distributed an extensive line of fine organic chemicals, research chemicals, test solutions, indicators, dyes and reagents through its wholly-owned Eastern Chemical Corporation ("Eastern") subsidiary. On December 11, 2007, with Registrant as Guarantor, Eastern sold substantially all of its assets to Pfaltz & Bauer, Inc. Registrant intends to dissolve the Eastern corporate entity, as well as the corporate entity of Paragon Organic Chemicals, Inc. (Paragon), another wholly-owned subsidiary of the Registrant that acted as a purchasing entity for Eastern. Unless otherwise specified or indicated by the context, "Company" shall refer only to United-Guardian, Inc. and its Guardian division, and shall not include Eastern or Paragon.

United's predecessor, United International Research Corp. (which name was later changed to United International Research, Inc. ("UIR")), was founded and incorporated in New York in 1942 by Dr. Alfred R. Globus, United's Chairman and Director of Research. On February 10, 1982, a merger took place between UIR and Guardian Chemical Corp. ("GCC"), an affiliate of UIR, whereby GCC was merged into UIR and the name was changed to United-Guardian, Inc., a New York Corporation. On September 14, 1987, United-Guardian, Inc. (New York) was merged with and into a newly-formed Delaware corporation by the same name, United-Guardian, Inc., for the purpose of changing the domicile of United.

Until December 11, 2007 the Company operated two business segments:

(1) **Guardian** conducts research, product development, manufacturing and marketing of cosmetic ingredients, personal and health care products, pharmaceuticals, and specialty industrial products. The research and development department not only develops new products but also modifies and refines existing products, with the goal of expanding the potential markets for the Company's products.

Guardian has a broad range of products, some of which are currently marketed, some of which are marketable but are not currently marketed by the Company, and some of which are still in the developmental stage. Of the products being actively

marketed, the two largest product lines are the LUBRAJEL® line of cosmetic ingredients, which accounted for approximately 76% of the Company's sales in 2007, and its RENACIDIN® IRRIGATION, a pharmaceutical product that accounted for approximately 18% of the Company's sales in 2007. The Company actively seeks other companies as potential marketers for its products, particularly for those products that are not yet being actively marketed by the Company.

(2) **Eastern** was a distributor of fine organic chemicals, research chemicals, intermediates, reagents, indicators, dyes and stains. On December 11, 2007, substantially all of Eastern s assets were sold to Pfaltz & Bauer, Inc. Eastern carried an extensive line of products which it sold throughout the United States as well as overseas. Eastern's products were primarily sold either to distributors for resale in smaller quantities or as intermediates and raw materials for further chemical processing. Sales quantities ranged from a few hundred grams to over a thousand kilos per shipment. Although Eastern conducted no chemical manufacturing, it did contract with several custom chemical manufacturers and also would package-to-order for those customers that required it.

Paragon functioned solely as a purchasing entity for Eastern. It had no assets or sales of its own. As part of the sale of substantially all of Eastern s assets to Pfaltz & Bauer the Company also sold to them the Paragon trade name.

Eastern s business is reported as a discontinued operation in the financial statements incorporated herein.

(b) **Narrative Description of Business**

Guardian conducts research, product development, manufacturing and marketing of many different cosmetic ingredients, personal and health care products, pharmaceuticals, and specialty industrial products, all of which were developed by Guardian, and many of which have unique properties. Many of Guardian's products are marketed through collaborative agreements with larger companies. The personal care products manufactured by Guardian, including the cosmetic ingredients, are marketed to end users through the Company's worldwide network of marketing partners and distributors, and are currently used by many of the major international cosmetic and personal care products companies. The pharmaceutical products are marketed by direct advertising, mailings, and trade exhibitions, and are sold to end users primarily through the major drug wholesalers. The Company also has a small amount of pharmaceutical sales directly to hospitals and pharmacies. The non-pharmaceutical medical products and the specialty industrial products are sold directly by the Company.

During 2007, Guardian's sales were $11,888,562. Eastern s sales prior to the sale of its assets and discontinuation of its operations were $841,060.

Guardian's products are sold under trademarks or trade names owned by the Company. The marks for the most important products, LUBRAJEL and RENACIDIN, as well as some other Company trademarks, are registered as trademarks with the United States Patent and Trademark Office.

Products

PERSONAL CARE

LUBRAJEL® is an extensive line of water-based moisturizing and lubricating gel formulations that are used as ingredients in personal care products, particularly cosmetic products. They are used primarily as moisturizers and bases for other cosmetic ingredients. In the cosmetic industry it is used primarily as an ingredient in skin creams, moisturizers, makeup, and body lotions. The largest selling product in the LUBRAJEL line in 2007 was LUBRAJEL CG, the original cosmetic form of LUBRAJEL, followed by LUBRAJEL Oil. Some of the other varieties of LUBRAJEL sold for cosmetic use (all using the LUBRAJEL prefix) are MS, DV, TW, NP, and WA. In addition, all of the above products are available without paraben preservatives and are designated with the word 'Free' after the name (for example, Lubrajel MS Free).

LUBRAJEL PF is a preservative-free form of LUBRAJEL currently being marketed primarily by Societe D'Etudes Dermatologiques ("Sederma") under their tradename "Norgel". Sederma is the Company's distributor of LUBRAJEL in France and is a major supplier of cosmetic ingredients in Europe. It is also distributed by some of the Company's other marketing partners under the name LUBRAJEL PF. Tests conducted by Sederma indicated that the product self-preserved, and aided in the preservation of other cosmetic ingredients with which it was formulated.

LUBRASIL is a special type of LUBRAJEL in which silicone oil is incorporated into a LUBRAJEL base by microemulsification, thereby maintaining much of the clarity of regular LUBRAJEL. The product has a silky feel, and is water resistant while moisturizing the skin. The newest products in the LUBRASIL line are the new LUBRASIL II products, which currently consist of LUBRASIL II DM and LUBRASIL II SB. Both products contain substantially higher levels of silicone than the original LUBRASIL products, and are intended to be additions to the line, not replacements for the original LUBRASIL.

LUBRAJEL II XD is a version of LUBRAJEL that was developed to be a drop-in replacement for one of the competitive products to LUBRAJEL.

KLENSOFT is a surfactant (a surface active agent, such as a soap or detergent that can reduce the surface tension of a liquid and thus allow it to foam or penetrate solids or act as a wetting agent) that can be used in shampoos, shower gels, makeup removers, and other cosmetic formulations. The primary customer for KLENSOFT for many years has been in Taiwan, but over the past few years there have been new customers for the product in the United Kingdom, Australia, France and South Korea. Historically, Klensoft sales to the Taiwanese customer have been inconsistent from year-to-year. As a result, sales of Klensoft in 2007 declined by 53% compared with 2006, principally as a result of the buying patterns of that customer. However, sales of Klensoft have rebounded in 2008, with sales for the first two months of 2008 already equaling the sales for all of 2007.

CONFETTI DERMAL DELIVERY FLAKES is a product line introduced in 2000 that incorporates various functional oil-soluble ingredients into colorful flakes that can be added to, and suspended in, various water-based products. The product color and ingredients can be customized to meet the needs of individual customers. Sales of this product have declined over the years and comprise substantially less than 1% of the sales of the Company.

ORCHID COMPLEX is a successor product to Guardian's previous Oil of Orchids product, and is a base for skin creams, lotions, cleansers, and other cosmetics. It is an extract of fresh orchids, modified by extractants, stabilizers, and preservatives, and is characterized by its excellent lubricity, spreadability, light feel, and emolliency. Because of its alcohol solubility, it may also be used in fragrance products such as perfumes and toiletries. Its emolliency makes it an excellent additive to shampoos, bath products and facial cleansers. It is also a superior emollient for sunscreens, vitamin creams, toners and skin serums. It is sold

in two forms, water-soluble and oil-soluble. Sales of this product have not reached the level originally anticipated by the Company, and the Company is working to enhance the product s functionality further in order to expand its claims and its marketability.

UNITWIX® is a cosmetic additive used as a thickener for oils and oil-based liquids. It is a proprietary, unpatented product. Sales of Unitwix have increased for the past 3 years.

LUBRASLIDE and a related product, B-122 , are powdered lubricants used in the manufacture of such cosmetics as pressed powders, eye liners, and rouges. They are used as binders for these products, increasing water-repellency and drop strength, and lowering the coefficient of friction.

RAZORIDE is a clear, hypo-allergenic, non-foaming, water-based shaving product that is surfactant- and soap-free and has excellent lubricity and moisturizing properties. It is intended to be a finished product not an ingredient.

PLEXAJEL ASC is a water-based gel product that was developed to produce clear, low pH personal care products with moisturizing properties.

AQUATHIK is a powder that is used as a gelling agent for aqueous solutions or emulsions with a pH below 7.

HYDRAJEL PL and **HYDRAJEL VM** are personal lubricants and moisturizers originally developed specifically for the feminine personal care market.

The Company believes that its ability to increase sales of its LUBRAJEL products for cosmetic and other personal care uses will depend on (a) the ability of its marketing partners, especially ISP Technologies Inc. ("ISP"), its largest marketing partner, to continue to aggressively promote the Company s products, particularly to new customers, and (b) the Company's success in developing new forms of LUBRAJEL that will enable the product to be used in new applications. Guardian is continuing to develop

new varieties of LUBRAJEL to extend the line even further, and is working with its marketing partners to find new marketing opportunities.

The Company believes that there is still significant potential to expand the sales of its LUBRAJEL line of products through product modifications, additional claim substantiation, and geographic expansion, especially in such developing markets as mainland China, India, and Eastern Europe.

The Company also believes that any potential sales increases in the LUBRAJEL line of products may be offset by sales of competitive products. However, there are a limited number of competitors to the Company s LUBRAJEL product line, and the Company believes that, because of the proprietary nature of the LUBRAJEL formulations, the strong brand name identity, the cost to the end-user of reformulation, the Company s long history of supplying quality products, and the Company s continuing product development programs, it will continue to be able to compete effectively in the marketplace and expand the market for its LUBRAJEL product line.

MEDICAL

LUBRAJEL RR and RC are water-based gels used primarily as lubricants for catheters. Both are special grades of LUBRAJEL that can withstand sterilization by gamma radiation, which is one of the methods of terminally sterilizing medical and hospital products. On April 11, 1995, the Company was granted a U.S. patent for these unique forms of LUBRAJEL. LUBRAJEL RR was the original radiation product, which was followed by LUBRAJEL RC, which was developed specifically for one customer that packages the product as a catheter lubricant for many different urethral catheter manufacturers.

LUBRAJEL MG is the original form of LUBRAJEL developed for medical use, and is used by many medical device manufacturers for lubricating urinary catheters, prelubricated enema tips, and other medical devices.

LUBRAJEL LC was developed for a specific customer who required a product suitable for oral use in a line of mouth moisturizers. Sales of this product have increased steadily over the past few years and now represent about 3% of the Company s sales.

LUBRAJEL FLUID is a very low viscosity form of LUBRAJEL that was developed to provide superior lubrication in water-soluble products. It was specifically developed, and is currently being used, as a replacement for silicone oils in pre-lubricated condoms.

PHARMACEUTICAL

RENACIDIN is a urological prescription drug that is used primarily to prevent the formation of, and to dissolve calcifications in, catheters implanted in the urinary bladder. It is marketed as a ready-to-use sterile solution under the name RENACIDIN IRRIGATION. It is also approved for use in dissolving certain types of kidney stones. It currently has regulatory approval only in the United States.

CLORPACTIN® WCS-90 is an antimicrobial product used primarily in urology and surgery for treating a wide range of localized infections in the urinary bladder, the peritoneum, the abdominal cavity, the eye, ear, nose and throat, and the sinuses. The product is a white powder that is mixed with water and used as a solution. It is a powerful disinfectant, fungicide, and deodorizer.

INDUSTRIAL

DESELEX Liquids a sequestering and chelating agent that is a replacement for phosphates in the manufacture of detergents.

POLYCOMPLEX M and **Q** are complexing agents capable of producing clear solutions of specific water-insoluble materials.

Development Activities

Guardian's research and development department has developed a large number of products that can be used in many different industries, including the pharmaceutical, medical, personal care (including cosmetic), health care, and specialty chemical industries. These products are in various stages of development, some currently marketable and some in the very early stages of development requiring a substantial amount of development work to bring them to market. Research is also being done on new uses for currently marketed products.

Prior to initiating research and development work on a product, market research is done to determine the marketability of the product, including the potential market size and the most effective method of marketing the product. After that, the research and development department will determine whether the product can be successfully developed, including (a) laboratory refinements and adjustments to suit the intended uses of the product; (b) stability studies to determine the effective shelf-life of the product and suitable storage and transportation conditions; and (c) laboratory efficacy tests to determine the effectiveness of the product under different conditions.

If the initial development work is successful, further development work to bring the product to market will continue, including some or all of the following: (a) clinical studies needed to determine safety andeffectiveness of drug or medical device products; (b) preparatory work for the filing of Investigational New Drug Applications or New Drug Applications; (c) scaling up from laboratory production batches to pilot batches to full scale production batches.

While there can be no assurance that any particular project will result in a new marketable product or a commercially successful product, the Company believes that a number of its development projects, including those discussed below, may have commercial potential if the Company's development efforts are successful.

Guardian's major research focus is on the development of new and unique ingredients for cosmetic and other personal care products. The following are some of the projects that Guardian is either working on or intends to work on in the near future:

LUBRAJEL II: This product line is being developed to recapture some of the market share that the Company has lost over the years to some of its competitors, and to enhance the properties of the existing LUBRAJEL formulations. LUBRAJEL II XD was the first product developed pursuant to this project. The Company hopes to continue to expand this product line over the next few years, introducing new formulations that have enhanced properties over competitive products. This new line is intended to be a supplement to, not replacement for, the current line of LUBRAJEL products.

LUBRASIL II: The LUBRASIL II line was developed to incorporate significantly higher levels of silicone into LUBRAJEL than was previously possible with the original LUBRASIL products, thereby making it more economical to the end user. LUBRASIL II DM was the first product in this new line, followed by LUBRASIL II SB. These products were developed in 2007, but the marketing effort by the Company s marketing partners did not actively begin until 2008.

CLORONINE: CLORONINE is a powerful disinfectant, germicide, and sanitizer for disinfecting medical and surgical instruments and equipment (particularly where autoclaves are not available), and for the purification of water supplies. The product had been developed many years ago, and had been approved for certain uses in France and Canada, and is still being sold on a very limited basis in Canada. The Company has been working with Howard Industries ("Howard"), an Ohio-based company that is interested in finding new markets for CLORONINE as a disinfecting agent. Howard has been testing this product for a very specific farming application, and has filed an application with the United States Environmental Protection Agency which, if approved, will enable it to begin its marketing efforts. Howard is also looking at other possible uses for CLORONINE, and the Company is working on developing additional disinfecting agents, including a gel form of CLORONINE and a new disinfecting agent based on chlorine dioxide, which the Company hopes will open up new marketing opportunities with Howard.

SKIN SENSORIAL AGENTS: A line of products that will enhance the feel of skin care products. The new LUBRASIL II products mentioned previously are two examples of the new types of products the Company is looking to develop in this area.

EMOLIEN: A new water-based emollient and moisturizer. It is intended to be a cost-effective emollient (0.5% to 0.2%) to increase lubricity and moisturization for creams, lotions and gels, as well as other potential uses.

ANTISEPTIC POLYMER: This product is in the very early stages of development. A provisional patent application has already been filed, but there may be a need to supplement the chemistry in the original application as development continues.

DRY-FEEL SENSORY MODIFIER: An additive for creams and lotions to reduce slip and give a drier feel. It may also have uses as a specialty emulsifier.

ESSENTIAL ELEMENTS: A new product for skin and hair care applications. The specifics cannot be disclosed until patentability issues are investigated further, but the product would be used to maintain and improve healthy cellular metabolism.

NATURAL POLYMER BLEND: A line of polysaccharide polymers from natural sources (sourced from vegetables and micro-organisms), suitable as a thickener and emulsion stabilizer.

It should be understood that many of the projects listed above are in their early stages of development, and there can be no assurance that marketable products will result from any of these research and development projects.

The Company expects its research and development costs for 2008 to be comparable to those of the last two fiscal years. Any additional increase in development and/or production costs will depend on whether capital investments are required in order to continue development work on, or to manufacture, any of the new products under development.

Trademarks and Patents

The Company strongly believes in protecting its intellectual property and intends, whenever reasonably possible and economically practical, to obtain patents in connection with its product development program. The Company currently holds many United States patents and trademarks relating to its products, and regularly has patent and trademark applications pending with respect to a number of its research and development products. Some patents previously issued to the Company on certain products have expired. There can be no assurance that any patents held by the Company will be valid or otherwise of value to the Company, or that any patent applied for will be granted. However, the Company believes that its proprietary manufacturing techniques and procedures with respect to certain products offer it some protection from duplication by competitors regardless of the patent status of the products.

The various trademarks and trade names owned or used by the Company in its business are of varying importance to the Company. The most significant products for which the Company has registered trademarks are LUBRAJEL and RENACIDIN.

Set forth below is a table listing certain information with respect to all unexpired U.S. patents held by the Company. The Company does not anticipate that the expiration of the patents that are expiring during the current fiscal year will have any material impact on the Company s revenue.

PATENT NAME	PATENT #	FILING DATE	ISSUE DATE	EXPIRATION DATE
Iodophor; polyethylene glycol alkyl aryl sulfonate iodine complex	4,873,354	4/1988	10/1989	4/2008
Iodophor; biocide; reacting polyethylene glycol, alkyl aryl sulfonate and iodine water-propylene glycol solvent refluxing	5,013,859	4/1988	5/1991	5/2008
Thermal-resistant microbial agent ("Cloronine")	4,954,316	12/1988	9/1990	12/2008
Use of Clorpactin for the treatment of animal mastitis & the applicator used in that treatment (owned jointly by the Company and JohnsonDiversey Inc.)	4,983,634	12/1988	1/1991	12/2008
Stable, active chlorine-containing antimicrobial compositions ("Cloronine")	5,128,342	10/1987	7/1992	7/2009
Stabilized beta carotene	5,023,355	6/1990	6/1991	6/2010
Radiation-resistant lubricating gel	5,405,622	12/1993	4/1995	12/2013
Delivery system for oil-soluble actives in cosmetic and personal care products	6,117,419	9/1996	9/2000	12/2016

Microemulsion of silicone in a water-based gel that forms a clear, transparent, highly stable moisturizer and lubricant for cosmetic and medical use	6,348,199	1/1994	2/2002	2/2019

The Company requires all employees and consultants who may receive proprietary information to agree in writing to keep such proprietary information confidential.

Domestic Sales

In the United States, Guardian's cosmetic products are marketed exclusively by ISP in accordance with a marketing agreement entered into in 1996 and subsequently amended and expanded in 2000, 2002, and 2005 (see "Marketing Agreements" below). ISP also has certain rights to sell some of Guardian's other industrial and medical products.

The Company's domestic sales of pharmaceutical products are handled primarily through the major full-line drug wholesalers and account for approximately 21% of the Company's sales. The Company's other products, such as its medical (non-pharmaceutical) and specialty industrial products, are sold directly to end users.

Foreign Sales

In 2007 and 2006, approximately 57% and 56%, respectively, of the Company s sales were to customers in foreign countries, primarily sales of its cosmetic ingredients to customers in Europe and Asia. The Company currently has six distributors for its personal care products outside the United States, with ISP being the largest. ISP has global distribution rights with the exception of the following: S. Black Ltd. in the United Kingdom; Sederma in France; Luigi & Felice Castelli S.R.L. in Italy; S. Black Gmbh in Switzerland; and C&M International in South Korea. The Company also has significant direct sales to a customer in Ireland, Harmac Medical Products Ltd., of one of the LUBRAJEL products for medical use.

Marketing

Guardian markets its products through marketing partners, distributors, advertising in medical and trade journals, mailings to physicians and to the trade, and exhibitions at medical meetings. The pharmaceutical products are sold in the United States primarily to drug wholesalers, which in turn distribute these products to drug stores for resale, and to hospitals, physicians, long-term care facilities, the Veteran's Administration, and other government agencies. The proprietary cosmetic and other personal care products are sold to the Company s marketing partners, which in turn market the products to cosmetic and other personal care manufacturers for use as ingredients or additives in the manufacture or compounding of their products. The medical (non-pharmaceutical) and specialty industrial products are sold by the Company directly to the end users.

Marketing Agreements

In 1994, the Company entered into a marketing agreement with ISP whereby ISP would market and distribute Guardian's personal care products, as well as some medical and specialty industrial products, in certain parts of Europe, Asia, Australia, and Africa. ISP manufactures and markets globally an extensive line of personal care, pharmaceutical, and industrial products. In 1996, the parties entered into another agreement, extending ISP s distribution rights to the United States, Canada, Mexico, and Central and South America. In July 2000, the parties entered into an Exclusive Marketing Agreement (the "2000 Agreement"), which modified, extended, and consolidated the 1994 and 1996 agreements. The 2000 Agreement also gave the Company greater

flexibility in appointing other marketing partners in areas where ISP was not active or had not been successful, gave ISP certain additional territories, and granted ISP exclusivity in the territories assigned to it as long as annual minimum purchase requirements were met.

In December 2002, the parties entered into a letter agreement that extended and modified the 2000 Agreement. This was further modified in December 2005 to extend ISP's marketing rights until December 2008, and to provide for automatic extensions until December 2010 if specified minimum annual purchase levels were attained. It also specified guidelines and provisions for future price increases by the Company.

The Company believes that in the event ISP were to cease marketing Guardian's products, alternative arrangements could be made to continue to supply products to customers currently using Guardian's products without any significant interruption of supply.

The Company has other marketing arrangements with marketing partners in the U.K., France, Switzerland, South Korea, and Italy, but all of these other arrangements are operating under either verbal agreements or expired written agreements, and are subject to termination at any time by either party.

Raw Materials

The principal raw materials used by the Company consist of common industrial organic and inorganic chemicals. Most of these materials are available in ample supply from numerous sources. The Company has five major raw material vendors that account for approximately 80% of the raw material purchases by the Company.

Inventories; Returns and Allowances

The Company's business requires that it maintain moderate inventories of certain of its finished goods. Historically, returns and allowances have not been a significant factor in the Company's business.

Backlog

The Company currently does not have any significant backlog.

Competition

Guardian has many products or processes that are either proprietary formulations or have some unique characteristics, and therefore are not in direct competition with the products or processes of other pharmaceutical, personal care, chemical, or health care companies. However, the pharmaceutical, health care, and cosmetic industries are all highly competitive, and the Company expects competition to intensify as advances in the field are made and become widely known. There may be many domestic and foreign companies that are engaged in the same or similar areas of research as those in which the Company is engaged, many of which have

substantially greater financial, research, manpower, marketing anddistribution resources than the Company. In addition, there are many large, integrated and established pharmaceutical, chemical and cosmetic companies that have greater capacity than the Company to develop and to commercialize types of products upon which the Company's research and development programs are based. However, the Company believes that the expense of testing and evaluating possible substitutes for the Company's products that are already in customers' formulations, as well as the expense to the customer in relabeling its products, is a significant barrier to displacing the Company's products in current customer formulations. These cost factors make it less likely that a customer would choose a competitive product unless there was a significant cost savings in doing so. The Company believes that manufacturing, regulatory, distribution and marketing expertise will be increasingly important competitive factors in favor of the Company. In this regard, the Company believes that its marketing arrangements with its global marketing partners will be important in the commercialization of many of the products it is currently developing.

ISO-9001:2000 Registration

In December 2003, United earned ISO 9001:2000 registration from Underwriters Laboratories, Inc., indicating that United's documented procedures and overall operations had attained the high level of quality needed to comply with this ISO certification level. United has been in continuous compliance with this standard since that initial approval. Prior to that, in November 1998 United had earned ISO-9002 registration. United will continue to be evaluated every six months for continued compliance with the ISO-9001:2000 standard.

Government Regulation

Regulation by governmental authorities in the United States and other countries is a significant factor in the manufacturing and marketing of many of the Company's products. The Company and many of the Company's products are subject to certain government regulations. Products that may be developed and sold by the Company in the United States may require approval from federal regulatory agencies, such as the United States Food and Drug Administration ("FDA") as well as state regulatory agencies. Products that may be developed and sold by the Company outside the United States may require approval from foreign regulatory agencies. Any medical device products developed by the Company will be subject to FDA regulation, and will usually require a 510(k) pre-market notification. Most new pharmaceutical products will require clinical evaluation under an Investigational New Drug ("IND") application prior to submission of a New Drug Application ("NDA") for approval of a new drug product.

Guardian is required to comply with all pertinent Good Manufacturing Practices of the FDA for medical devices and drugs. Accordingly, the regulations to which Guardian and certain of its products may be subject, and any changes with respect thereto, may materially affect Guardian's ability to produce and market new products developed by the Company.

The Company's present and future activities are, and will likely continue to be, subject to varying degrees of additional regulation under the Occupational Safety and Health Act, Environmental Protection Act, import, export and customs regulations, and other present and possible future foreign, federal, state and local regulations.

Portions of the Company's operating expenses are directly attributable to complying with federal, state, and local environmental statutes and regulations. In 2007 and 2006, the Company incurred approximately $25,000 and $47,000, respectively, in environmental compliance costs. There was no material financial or other impact on the Company as a result of compliance with environmental laws.

Research and Development Expense

Portions of the Company's operating expenses are directly attributable to the research and development that the Company performs. In 2007 and 2006, the Company incurred approximately $420,000 and $502,000, respectively, in research and development expenses, which are included in operating expenses. No portion of the research and development expenses was directly paid by the Company's customers.

Employees

The Company presently employs 39 people, 7 of whom serve in an executive capacity, 20 in research, quality control and manufacturing, 6 in maintenance and construction, and 6 in office and administrative work. Of the total number of employees, 37 are full-time employees. None of the Company's employees are covered by a collective bargaining agreement. The Company believes that its relations with its employees are very good.

Item 1A. Risk Factors.

Not applicable.

Item 1B. Unresolved Staff Comments.

None.

Item 2.

Properties.

The Company maintains its principal office and factory, and conducts most of its research, at a 50,000 square foot facility on a 2.7 acre parcel at 230 Marcus Boulevard, Hauppauge, New York 11788, which the Company owns. Of the 50,000 square feet, approximately 30,000 square feet is manufacturing space, 15,000 square feet is warehouse space, and 5,000 square feet is office and laboratory space. The Company has now fully developed the 2.7 acres, and fully utilizes the building occupying the land. The Company believes that the aforementioned property is adequate for its immediately foreseeable needs. The property is presently unencumbered and is adequately insured.

Item 3.

Legal Proceedings.

The Company is not aware of any pending or threatened litigation against the Company.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

The common stock of United is traded on the American Stock Exchange (the "AMEX") under the symbol "UG". The following table sets forth for the periods indicated the high and low closing sale prices of the shares of common stock, as reported by the AMEX Market Statistics for the period January 1, 2006 to December 31, 2007. The quotations represent prices between dealers and do not include retail markup, markdown or commission:

Quarters		Year Ended December 31, 2007 High	Year Ended December 31, 2007 Low	Year Ended December 31, 2006 High	Year Ended December 31, 2006 Low
First	(1/1 - 3/31)	$ 9.45	$ 8.54	$ 10.86	$ 8.71
Second	(4/1 - 6/30)	13.35	9.23	9.50	8.19
Third	(7/1 - 9/30)	14.60	8.75	9.50	7.55
Fourth	(10/1 - 12/31)	10.85	10.05	9.90	9.01

Holders of Record

As of March 1, 2008, there were 1,062 holders of record of Common Stock.

Cash Dividends

On May 16, 2007, the Company declared a semi-annual cash dividend of $0.27 per share, which was paid on June 15, 2007 to all stockholders of record as of June 1, 2007. On December 6, 2007, the Company declared a cash dividend of $0.28 per share, which was paid on January 7, 2008 to all stockholders of record as of December 17, 2007.

On May 17, 2006, the Company declared a special cash dividend of $0.25 per share, which was paid on June 16, 2006 to all stockholders of record as of June 2, 2006. On December 18, 2006, the Company declared a cash dividend of $0.22 per share, which was paid on January 10, 2007 to all stockholders of record as of December 27, 2006.

Item 6. Selected Financial Data.

Not applicable

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results Of Operations:

Year Ended December 31, 2007 Compared with Year Ended December 31, 2006

Revenue

Revenue in 2007 increased by $680,659 (6.1%) compared with 2006. These increases were primarily attributable to increases in sales in two product lines:

(a) **Personal Care products**: Revenue from the sales of personal care products, including cosmetic ingredients, increased by $674,334 (9.5%) for the year ended December 31, 2007 when compared with 2006. Approximately 3% of the increase was attributable to a price increase on the personal care products. The balance was primarily attributable to increased sales to the Company s major marketing partner for distribution globally. Almost all of the increase in sales was the result of increased sales of the Company s extensive line of LUBRAJEL products, and was due to a general increase in demand for these products among many different customers.

(b) **Pharmaceuticals**: Revenue from the sales of the Company s pharmaceutical products increased by $133,066 (5.6%) for the year ended December 31, 2007 compared with 2006. This increase is primarily due to a price increase, which was implemented on March 1, 2007.

These increases in revenue were offset by decreases in the Company s medical (non-pharmaceutical) products, which decreased $80,709 (4.5%) in 2007 compared with 2006; the specialty industrial products line, which decreased by $4,351 (3.1%); and a decrease of $13,508 (66.55%) in other miscellaneous revenues, which includes miscellaneous sales and shipping & handling revenues. An additional decrease in revenue resulted from an increase of $28,173 (12.1%) in sales discounts and allowance reserves.

In the personal care market, Guardian's sales to ISP, its largest marketing partner, increased by 20.3% in 2007 compared with 2006. However, ISP reported to the Company that its sales of Guardian's products actually increased by 5.8% in the same period. The Company believes that the disparity between what ISP purchased from the Company and what ISP actually sold to its customers was the result of their purchasing patterns and inventory levels.

Guardian's five other marketing partners for personal care products exhibited both increases and decreases in 2007 compared with 2006. The net effect was that the Company s combined sales to those five marketing partners decreased 7.0% in 2007 compared with 2006. The Company attributes most of this decrease to purchasing patterns and stocking levels rather than to any significant decrease in sales.

Overall, total sales LUBRAJEL products to all customers increased by 6.7% in 2007 compared with 2006, which was attributable primarily to an increase in the sales of those products into foreign markets.

The Company's sales of its two pharmaceutical products increased by 5.6% in 2007 compared with 2006. Both RENACIDIN and CLORPACTIN sales were up, but most of the revenue increase was due to the price increase.

Cost of Sales

Cost of sales as a percentage of sales in 2007 decreased to 40.8% from 44.4% in the prior year. The decrease was primarily due to a reduction in the cost of the Company's primary raw material during the first three quarters of 2007.

Operating Expenses

Operating expenses increased by $29,244 (1.1%) in 2007 compared with the prior year. This increase is mainly due to increases in Board of Director fees, consulting fees, payroll-related medical costs and accounting costs, which were partially offset by decreases in pension costs, payroll costs, and advertising costs.

Other Income (Expense)

Other income, net, increased $171,472 (41.6%) for the year ended December 31, 2007. This increase was mainly attributable to the net effect of an increase in investment income of $145,939 in 2007. In 2007 the Company had realized gains on sales of marketable securities in the amount of $4,005 while realizing a loss on the sale marketable securities of $873 in 2006. The company realized a gain on the sale of fixed assets of $5,000 in 2007 and realized a loss on the sale of fixed assets of $14,695 during 2006. The Company paid $99 and $1,059 in interest and other expenses in 2007 and 2006 respectively.

Discontinued Operations

In December, 2007 the Company realized a gain of $84,361 (net of income taxes of $45,396) on the sale of substantially all of the assets of its Eastern subsidiary.

Provision for Income Taxes

The provision for income taxes increased $217,063 (15.7%) in 2007 compared with 2006. This increase was mainly due to an increase in earnings before taxes of $942,967 (23.1%) in 2007 when compared with 2006.

Liquidity and Capital Resources

Working capital increased to $13,400,692 at December 31, 2007 from $12,983,634 at December 31, 2006, an increase of $417,058 (3.2%) . The current ratio decreased to 6.7 to 1 at December 31, 2007 from 7.6 to 1 at December 31, 2006. The decrease in the current ratio from December 31, 2006 to December 31, 2007 was due primarily to: (a) an increase in cash and cash equivalents of approximately $1,528,000 and (b) an increase in prepaid expenses of approximately $262,000, which were partially offset by a decrease in inventories of approximately $601,000, a decrease in the assets for discontinued operations of approximately $147,000, an increase in dividends payable of approximately $298,000, and an increase in accrued expenses of approximately $268,000.

The decrease in inventory was the result of the Company having brought in a large quantity of its RENACIDIN IRRIGATION in 2006 to fill orders while its application with the FDA to change manufacturing facilities was pending. Since final approval was not expected until the end of 2007, the Company brought in sufficient inventory to last until production could begin in the new facility. This resulted in an increase of approximately $1 million in the Company's finished goods inventory in 2006. Most of this inventory was sold during 2007, and by the end of 2007 the Company s inventory of this product was at normal levels.

On January 17, 2007 the Company entered into a line of credit agreement with JPMorgan Chase Bank for borrowings of up to $2,000,000 at an interest rate of 1.0% below the Prime Rate. The line of credit was renewed effective as of June 30, 2007, and currently expires June 30, 2008. It is expected that the line will be renewed by the Company on an annual basis. As of March 1, 2008 the Company had no outstanding balance on this credit line.

The Company generated cash from operations of $4,157,058 in 2007 compared to $2,220,223 in 2006. The increase in 2007 was primarily due to the increases in net income and a decrease in inventory.

Cash used in investing activities was $225,846 for the year ended December 31, 2007 compared with $165,687 for the year ended December 31, 2006. The change was mainly due to the net effect of an increase in the acquisition of equipment, the sale (primarily bonds) and purchases (primarily bond funds) of marketable securities and temporary investments in 2006, and the proceeds from the sale of the Eastern assets.

Cash used in financing activities was $2,403,311 and $2,309,217 during the years ended December 31, 2007 and 2006, respectively. The increase was primarily due to the increase in the dividend declared in May, 2007 (which was paid in June 2007) to $0.27 per share from the $0.25 per share dividend that was declared in May 2006 (and paid in June 2006). The Company believes that its working capital is sufficient to support its operating requirements for the next fiscal year. The Company's long-term liquidity position will be dependent upon its ability to generate sufficient cash flow from profitable operations. The Company has no material commitments for future capital expenditures.

Commitments

The Company currently has $2,100 in lease commitments which are payable in 2008.

The Company has an outstanding loan for the purchase of an automobile of which approximately $14,645 is outstanding. Of this amount, $7,988 is due during 2008, and the remaining $6,657 is due in 2009.

Patent Expirations

The Company's patent on its RENACIDIN IRRIGATION expired in October 2007. The Company does not believe that the expiration of that patent will have a material impact on the Company's revenues.

Item 7A.Quantitative and Qualitative Disclosures About Market Risk.

Not Applicable

Item 8. Financial Statements and Supplementary Data.

Annexed hereto starting on page F-1

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None

Item 9A(T). Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company s management, with the participation of the Company s Principal Executive Officer and Principal Financial Officer, has evaluated the design, operation, and effectiveness of the Company s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the Exchange Act) as of December 31, 2007. On the basis of that evaluation, management concluded that the Company s disclosure controls and procedures are designed, and are effective, to give reasonable assurance that the information required to be disclosed in reports filed 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 management, including its Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding disclosures.

(b) Management s Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company s internal control system is designed to provide reasonable assurance to management and to the Company s Board of Directors regarding the preparation and fair presentation of published financial statements. Under the supervision and with the participation of management, including the Company s Principal Executive Officer and Principal Financial Officer, management conducted an evaluation of the effectiveness of the Company s internal control over financial reporting based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management s evaluation under the framework in *Internal Control Integrated Framework,* management concluded that the Company s internal control over financial reporting was effective as of December 31, 2007.

This annual report does not include an attestation report of the Company s registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management s report in this annual report.

(c) Changes in Internal Control over Financial Reporting

There were no changes in the Company s internal control over financial reporting that occurred in the fourth quarter of 2007 that materially affected, or would be reasonably likely to materially affect, the Company s internal control over financial reporting.

(d) Limitations of the Effectiveness of Internal Controls

The effectiveness of the Company s system of disclosure controls and procedures is subject to certain limitations, including the exercise of judgment in designing, implementing and evaluating the controls and procedures, the assumptions used in identifying the likelihood of future events, and the inability to eliminate fraud and misconduct completely. As a result, there can be no assurance that the Company s disclosure controls and procedures will detect all errors or fraud. Because of the inherent limitations of any internal system of disclosure controls and procedures, any evaluation of disclosure controls can provide only reasonable assurance, not absolute assurance, that all control issues, if any, within a company have been detected.

Item 9B. Other Information.

On July 10, 2007, the Company received a letter from the Market Regulation Department of the National Association of Securities Dealers (the "NASD"), on behalf of the American Stock Exchange, advising the Company that the NASD is conducting a review of trading activity in the Company's common stock from April 2, 2007 through May 7, 2007. In that letter, the NASD requested various documents and information related to the Company's earnings announcement on May 8, 2007. The NASD letter stated that its inquiry should not be construed as an indication that the NASD had determined that any violations of American Stock

Exchange rules or federal securities laws had occurred, or that the inquiry was a reflection upon the merits of the securities involved or upon any person who effected transactions in such securities.

The Company has provided all of the information requested by the NASD in that initial letter of July 10, 2007 as well as a follow-up request from the NASD dated August 17, 2007. The Company intends to continue to fully cooperate with the NASD and provide it with any additional information it requires. As of March 1, 2008 the matter is still open with the NASD, and the NASD has not provided the Company with any additional information regarding the status or outcome of the investigation.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors and Executive Officers

Set forth in the table below is certain information as of March 1, 2008 with respect to the executive officers and Directors of the Registrant:

Name	Age	Position(s) with Registrant
Dr. Alfred R. Globus	87	Chairman of the Board of Directors; Director of Research
Kenneth H. Globus	56	President, General Counsel, and Director
Robert S. Rubinger	65	Executive Vice President, Chief Financial Officer, Secretary and Director
Charles W. Castanza	75	Senior Vice President
Joseph J. Vernice	49	Vice President
Peter A. Hiltunen	49	Vice President
Cecile M. Brophy	59	Treasurer, Principal Accounting Officer, and Controller
Henry P. Globus	85	Director
Lawrence F. Maietta	50	Director
Arthur M. Dresner	66	Director
Andrew A. Boccone	62	Director
Christopher W. Nolan, Sr.	43	Director

Dr. Alfred R. Globus has been Chairman of the Board of Directors and Director of Research of United since its inception in 1942. He served as President from 1942 until 1988, and as Chief Executive Officer from 1988 until 2006.

Kenneth H. Globus has been President and General Counsel of United since July 1988. He also served as Chief Financial Officer from 1997 until 2006. He has been a Director since 1984.

Robert S. Rubinger has been Executive Vice President and Secretary of United since July 1988, Treasurer from May 1994 until May 2004, and Chief Financial Officer since December 2006. He has been a Director since 1982.

Charles W. Castanza has been Senior Vice President of United since March 2000. He served as Operations Manager of Chemicals and Pharmaceuticals of United from February 1982 until April 1986. He was a Director from 1982 until 2006.

Joseph J. Vernice has been a Vice President of United since February 1995. He has been Manager of Research and Development since 1988 and Director of Technical Services since 1991.

Peter A. Hiltunen has been a Vice President of United since July 2002. He has been Production Manager since 1982.

Cecile M. Brophy has been Treasurer of United since May 2004. She has served as Controller since November 1997. From May 1994 until November 1997, she served as manager of the accounting departments of United and Eastern.

Henry P. Globus has been a consultant to the Company since July 1988. He served as Executive Vice President of United from February 1982 until July 1988. He has been a Director since 1947.

Lawrence F. Maietta has been a partner in the public accounting firm of Bonamassa, Maietta & Cartelli, LLP in Brooklyn, NY since October 1991. He was controller for United from October 1991 until November 1997, and a Director since February 1994.

Arthur M. Dresner has been Counsel to the law firm of Duane Morris LLP since August 2007. From January 2003 to August 2007, he was a partner in the law firm of Reed Smith, LLP. From 1998 to 2003, he was Of Counsel to that firm as well as to the law firm of McAulay, Nissen, Goldberg & Kiel LLP, which combined with Reed Smith in 2000. From 1974 until 1997, he was employed as a Vice President in corporate development and general management of International Specialty Products Inc. in Wayne, New Jersey. He has been a Director of United since April 1997.

Andrew A. Boccone is an independent business consultant. From 1990 to his retirement in 2001, he was President of Kline & Company, a leading international business consulting and research firm that he joined in 1974, developing growth strategies and providing business solutions for many multinational chemical companies. Prior to joining Kline & Company Mr. Boccone served in various management positions at American Cyanamid. He has been a Director of the United since November 2002.

Christopher W. Nolan, Sr. has been a Managing Director in the Mergers & Acquisitions group of Rabobank International, New York, NY, since March 2006, and an Executive Director in that same groupfrom 2002 through 2006. From 2000 to 2002, he was a Vice President Mergers, Acquisitions and Corporate Advisory for Deutsche Bank Securities, Inc., New York, NY. From 1992 to 2000, he was a Vice President Corporate Development and Investor Relations for International Specialty Products Inc. in Wayne, NJ. He has been a Director of United since January 2005, and also serves on the Board of Directors and Audit Committee of Escala Group, Inc., a publicly-traded global collectibles network.

Kenneth H. Globus is the son of Henry P. Globus and the nephew of Alfred R. Globus. There are no other family relationships between any Directors or officers of the Company.

The Directors are elected to serve for one year or until the next Annual Meeting of Stockholders and until their successors have been elected and qualified.

Audit Committee Members and Financial Expert

The Board of Directors has an Audit Committee that meets with the Company's independent auditors to review the plan, scope and results of its audits. The Audit Committee consists of three of United's Directors, each of whom is considered an independent, outside Director. The Chairman of the Audit Committee is Arthur Dresner; the other two members are Andrew A. Boccone and Christopher W. Nolan, Sr.

The Company does not have a "financial expert" (as that term is defined by the SEC) on its Audit Committee due to the expense involved in placing another independent Director on its Board of Directors and Audit Committee who would qualify as such. While all three Audit Committee members have experience in reading, understanding, and analyzing financial statements, none has the experience necessary to qualify as a "financial expert" under the SEC guidelines. One of United's other Directors, Lawrence F. Maietta, is a Certified Public Accountant with experience in preparing and analyzing financial statements and would qualify as a "financial expert" if it were not for the fact that he receives payment from the Company to assist in the preparation of its financial reports, and for that reason, even though he is considered "independent" by the American Stock Exchange, he is not considered "independent" by the SEC, and therefore cannot serve on the Audit Committee. Mr. Maietta now serves as an expert financial advisor to the Audit Committee in lieu of having a financial expert on the committee. In addition, Christopher W. Nolan, Sr. is considered "financially sophisticated" as that term is defined by the American Stock Exchange.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics that applies to all officers, Directors, and employees serving in any capacity to the Company, including the Chief Executive Officer and/or President, Chief Financial Officer, and Principal Accounting Officer. A copy of the Company's Code of Business Conduct and Ethics is available on the Company's web site at http://www.u-g.com/corporate. The Company intends to satisfy the disclosure requirement under Item 5.05 of form 8-K relating to amendments to or waivers from any provision of its Code of Business Conduct and Ethics applicable to Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer by posting this information on the Company's web site.

Compliance with Section 16(a) of the Exchange Act

The information required by this section is incorporated herein by reference to the section entitled "Directors and Executive Officers - Section 16(a) Beneficial Ownership Reporting Compliance" of Registrant's 2008 Proxy Statement.

Item 11. Executive Compensation.

The information required by this item is incorporated herein by reference to the section entitled "Compensation of Directors and Executive Officers" of Registrant's 2008 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item is incorporated herein by reference to the subsections entitled "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management" under the main section entitled "Voting Securities and Principal Stockholders", as well as to the subsection entitled "Summary Compensation Table" of the main section entitled "Compensation of Directors and Executive Officers", of Registrant's 2008 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information required to be set forth hereunder has been omitted and will be incorporated by reference, when filed, from Registrant's 2008 Proxy Statement.