

UNITED GUARDIAN INC
Form DEF 14A
March 30, 2012

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant ☒ Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
☒ Definitive Proxy Statement
☐ Definitive Additional Materials
☐ Soliciting Material Pursuant to Section 240.14a-12

United-Guardian, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

- ☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration

Statement No.:

3) Filing Party:

4) Dated Filed:

Cover Page

UNITED-GUARDIAN, INC.

230 Marcus Boulevard • P. O. Box 18050 • Hauppauge, NY 11788 • (631) 273-0900

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 16, 2012

To the Stockholders of UNITED-GUARDIAN, INC.:

You are hereby notified that the annual meeting of the stockholders of UNITED-GUARDIAN, INC., a Delaware corporation (the "Company"), will be held at the Sheraton Long Island Hotel, 110 Vanderbilt Motor Parkway, Hauppauge, NY 11788 on Wednesday, May 16, 2012 at 10:00 A.M. local time, for the following purposes:

1. To elect six (6) directors to serve until the next annual meeting of the stockholders and until their respective successors are elected and qualified;
2. To ratify the appointment by the Company of Holtz Rubenstein Reminick LLP as its independent registered public accounting firm for the fiscal year ending December 31, 2012; and
3. To transact such other matters as may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on March 23, 2012 are entitled to notice of and to vote at the meeting.

By order of the Board of Directors
Robert S. Rubinger, Secretary

Dated: April 11, 2012

RETURN OF PROXIES

Whether or not you plan to attend, it is important that your shares be represented and voted at the annual meeting. To ensure your representation at the annual meeting, a proxy card and business reply envelopes are enclosed for your use. We urge each stockholder to vote promptly by signing and returning his or her proxy card, regardless of the number of shares held. The giving of a proxy will not affect your right to vote in person if you attend the annual meeting.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held May 16, 2012: You can view the Annual Report and Proxy Statement on the Company's website at [www.u-g.com//corporate/2012 Annual Meeting.html](http://www.u-g.com//corporate/2012%20Annual%20Meeting.html)

UNITED-GUARDIAN, INC.

230 Marcus Boulevard • P.O. Box 18050 • Hauppauge, NY 11788 • (631) 273-0900

Proxy Statement

The enclosed proxy is solicited by the Board of Directors of UNITED-GUARDIAN, INC. (the "Company") for use at the Annual Meeting of Stockholders (the "Annual Meeting") to be held at 10:00 A.M., local time on Wednesday, May 16, 2012 at the Sheraton Long Island Hotel, 110 Vanderbilt Motor Parkway, Hauppauge, NY 11788, and at any adjournments thereof. A proxy granted hereunder is revocable at any time before it is voted by (a) a duly executed proxy bearing a later date, (b) written notice to the Secretary of the Company received by the Company at any time before such proxy is voted at the Annual Meeting, or (c) attendance at the Annual Meeting and voting in person.

It is anticipated that the mailing of this Proxy Statement and the accompanying Proxy to stockholders will commence on or about April 11, 2012.

SOLICITATION OF PROXIES

The persons named as proxies are Kenneth H. Globus and Robert S. Rubinger.

All shares represented by properly executed, unrevoked proxies received in proper form and in time for use at the Annual Meeting will be voted in accordance with the directions specified thereon and otherwise in accordance with the judgment of the persons designated as proxies. Any proxy on which no direction is specified will be voted in favor of the nominees to the Board of Directors listed in this Proxy Statement and in favor of the ratification of the appointment of Holtz Rubenstein Reminick LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012. If any other matters are properly presented at the Annual Meeting for consideration, the persons named as proxies in a properly delivered proxy card will have the discretion to vote on those matters for the stockholder delivering the proxy card. At the date we filed this Proxy Statement with the Securities and Exchange Commission ("SEC"), the Board of Directors was not aware of any other matters to be raised at the Annual Meeting.

The cost of preparing, assembling and mailing the Notice of Annual Meeting, Proxy Statement, proxy card and any other materials enclosed, will be borne by the Company. In addition to the solicitation of proxies by use of the mails, officers and employees of the Company may solicit proxies by telephone, facsimile, or personal interview. They will not receive additional compensation for their effort. The Company will request brokerage houses and other custodians, nominees and fiduciaries to forward soliciting materials to the beneficial owners of stock held of record by such persons, and will reimburse such persons for their expenses in forwarding soliciting material. The Company does not anticipate paying any compensation to any other party for the solicitation of proxies.

VOTING SECURITIES AND PRINCIPAL STOCKHOLDERS

Outstanding Shares and Voting Rights

Only holders of record of the Company's Common Stock, par value \$.10 per share ("Common Stock"), at the close of business on March 23, 2012, will be entitled to notice of and to vote at the Annual Meeting. On March 23, 2012, there were 4,596,439 shares of Common Stock outstanding. Each outstanding share of Common Stock is entitled to one vote on all matters submitted to a vote at the Annual Meeting, which vote may be given in person or by proxy. There are no cumulative voting rights.

Nominees for director are elected if the votes cast for a nominee's election exceed the votes cast against that nominee's election.

The affirmative vote of the holders of a majority of shares of Common Stock present, in person or by proxy, and eligible to vote at the Annual Meeting is necessary for the approval of the proposal to ratify the appointment by the Company of Holtz Rubenstein Reminick LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012.

Any broker holding shares in "street name" on behalf of a stockholder is required to vote those shares in accordance with the stockholder's instructions. If the stockholder does not give instructions to the broker, the broker will be entitled to vote the shares with respect to discretionary items, but will not be permitted to vote the shares with respect to non-discretionary items (resulting in a "broker non-vote"). The ratification of the selection of Holtz Rubenstein Reminick LLP is a "discretionary" item. The election of directors is a "non-discretionary" item.

Under Delaware law, shares as to which a stockholder abstains or withholds authority to vote and shares as to which a broker indicates that it does not have discretionary authority to vote ("broker non-votes") will be treated as present at the Annual Meeting for the purposes of determining a quorum. Proxies marked "Withhold Authority" with respect to the election of one or more directors will not be counted in determining who the six persons are who received the greatest number of votes in the election of directors. Proxies marked "Abstain" with respect to the ratification of the appointment of Holtz Rubenstein Reminick LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012, will have the effect of a vote against ratification.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF THE NOMINEES NAMED FOR ELECTION AS DIRECTORS.

Security Ownership of Certain Beneficial Owners

The following table sets forth the shares of the Company's Common Stock, par value \$.10 per share (the only class of stock issued and outstanding), owned beneficially by each person who, as of March 23, 2012, is known by the Company to have owned beneficially more than 5% of the outstanding Common Stock. Regarding the shares referenced in footnote (1) below, the beneficial owner has both sole voting power and sole investment power, except for those shares held by his spouse as noted.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Kenneth H. Globus c/o United-Guardian, Inc.. 230 Marcus Blvd. Hauppauge, NY 11788	1,555,293 (1)	33.8%
Dr. Betsee Parker P.O. Box 2198 Middleburg, VA 20118	556,339	12.1%
Mario J. Gabelli One Corporate Center Rye, NY 10580	318,126 (2)	6.9%

(1) Includes 569,293 shares held directly and 986,000 shares held beneficially as follows: 760,000 as joint Trustee for the Alfred Globus Testamentary Trust, as to which he has shared voting and investment power; 154,000 as sole Trustee for his daughters, as to which he has sole voting and investment power; and 72,000 shares held by his wife.

(2)Based on statements made in filings with the SEC by Mario Gabelli, GGCP, Inc., Teton Advisors, Inc., Gabelli Funds, LLC, GAMCO Asset Management Inc. and GAMCO Investors, Inc. Some of the shares of Common Stock beneficially owned by Mr. Gabelli are also beneficially owned by certain of the entities making the filings. However, none of such entities reported beneficial ownership of shares constituting more than 5% of the outstanding shares of Common Stock of the Company.

Related Party Transactions

The Company has adopted a written policy for the approval of "related party" transactions. Under the policy, related parties are defined to include executive officers and directors of the Company and their immediate family members, a stockholder owning in excess of 5% of the Company, and entities in which any of the foregoing have a substantial ownership interest or control. The policy applies to any transactions that exceed or are expected to exceed \$50,000 in a single calendar year.

The policy provides that the Audit Committee will review transactions subject to the policy and decide whether or not to approve or ratify those transactions. In doing so, the Audit Committee will make a determination as to whether the transaction is in the best interests of the Company and its stockholders, taking into account (a) the benefits to the Company and its stockholders; (b) the extent of the related person's interest in the transaction; (c) whether the transaction is on terms generally available to an unaffiliated third-party under the same or similar circumstances; (d) the impact or potential impact on a director's independence in the event the related party is a director, an immediate family member of a director, or an entity in which a director is a partner, shareholder or executive officer; and (e) the terms of each transaction.

The policy also provides that Director and officer compensation that is approved by the Board of Directors or the Compensation Committee is exempt from this approval process and will be considered to be pre-approved.

The Related Party Transaction Policy can be found on the Company's web site at www.u-g.com.

There were no related party transactions during 2011.

Security Ownership of Management

The following information is furnished with respect to ownership of shares of Common Stock as of March 23, 2012, by each named executive officer, each Director (which includes all nominees for Director) and by all Directors and executive officers of the Company as a group (8 persons). Except as otherwise indicated, the beneficial owner has sole voting and investment power.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Robert S. Rubinger	5,137	*
Kenneth H. Globus	1,555,293(1)	33.8%
Lawrence F. Maietta	4,000	*
Arthur M. Dresner	12,175	*
Andrew A. Boccone	0	*
Christopher W. Nolan, Sr.	0	*
All Officers and Directors as a group (8 persons)	1,588,451(1)	34.6%

*Less than one percent (1%)

(1)Includes 569,293 shares held directly and 986,000 shares held beneficially as follows: 760,000 as joint Trustee the Alfred Globus Testamentary Trust, as to which he has shared voting and investment power; 154,000 as sole Trustee for his daughters, as to which he has sole voting and investment power; and 72,000 shares held by his wife.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column "(a)") (c)
Equity compensation plans approved by security holders (2004 Stock Option Plan)	0	0	500,000
Equity compensation plans not approved by security holders (none)	---	---	---
Total	0	0	500,000

DIRECTORS AND EXECUTIVE OFFICERS

Nominees for Election as Directors

Six directors are to be elected at the Annual Meeting to serve until the next annual meeting of stockholders and until their successors have been elected and qualified. Set forth in the table below are the names of all persons nominated for election as directors (all of whom are currently directors) by a majority of the Company's independent directors, the principal occupation or employment of each nominee for at least the past five years, his present positions with the Company, his qualifications to serve as a director, other board memberships of public companies, and the year he was first elected a director.

Name and Position with the Company	Age	Principal Occupation, Qualifications, and other Boards	Year First Elected a Director
Robert S. Rubinger Executive Vice President, Secretary, Treasurer, Chief Financial Officer and Director	69	From July 1988 to date, Executive Vice President and Secretary of the Company. Treasurer of the Company from May 2010 to date and previously from May 1994 to May 2004, and Chief Financial Officer of the Company from December 2006 to date. He has leadership experience, business experience, and knowledge of the Company's operations from over 30 years as Vice President and then Executive Vice President of the Company. He holds a bachelor's degree in Economics/Business Management from Hunter College.	1982
Kenneth H. Globus President, General Counsel and Chairman of the Board of Directors	60	From July 1988 to date, President and General Counsel of the Company. Chief Financial Officer of the Company from November 1997 to December 2006. Chairman of the Board of Directors since September 2009. He has leadership experience, business experience, legal experience, and knowledge of the Company's operations from over 25 years as Vice President, then President, and General Counsel of the Company, and his prior years as an attorney in private practice. He holds a bachelor's degree in Psychology and English from SUNY at Albany, and a Juris Doctor degree from the George Washington University Law School.	1984
Lawrence F. Maietta Director	54	Partner in the accounting firm of Bonamassa, Maietta & Cartelli, LLP, Brooklyn, NY, since October 1991. Controller of the Company from October 1991 to November 1997. He has financial experience, business experience, and an extensive knowledge of the Company's operations. He has been a CPA and consultant preparing financial reports and tax returns for the Company and other clients for more than 25 years. He holds a bachelor's degree in Business Administration from Niagara University, and an MBA from Hofstra University. (2)	1994
Arthur M. Dresner Director	70	Counsel to the law firm of Duane Morris LLP, New York, NY, since August 2007. He has leadership experience, legal experience, business experience, and a scientific education and background. From 1998 to 2007 he was partner and previously "Of Counsel" to the law	1997

firm of Reed Smith, LLP, New York, NY. For more than 20 years prior, he was employed by GAF Corporation and its subsidiary, International Specialty Products, Inc., Wayne, NJ, including having been Vice President of corporate development and general management for the last 8 of those years. He holds a bachelor's degree in Engineering from Stevens Institute of Technology, and a Juris Doctor degree from St. John's University School of Law. (1) (2)

Andrew A. Boccone Director	66	Independent business consultant since 2001. He has leadership experience, business experience, and a scientific education and background. For more than 25 years he was employed by Kline & Company, Inc., Little Falls, NJ, an international business consulting and market research firm specializing in the chemicals industry, consumer products, life sciences, and energy, including having been President from 1990 to 2001. He holds a bachelor's degree in Chemistry from Hofstra University, and an MBA from Seton Hall University. (1) (2)	2002
Christopher W. Nolan, Sr. Director	47	Managing Director since March 2006 and Executive Director from 2002 to 2006 in the Mergers and Acquisitions (M&A) group of Rabo Securities USA, Inc., an affiliate of Rabobank International, New York, NY. He has leadership experience, business experience, a scientific background and education, outside board experience, and is considered "financially sophisticated" under the standards of the NASDAQ Stock Market LLC ("NASDAQ"). From 2000 to 2002, he was a Vice President in M&A at Deutsche Bank Securities, Inc., New York, NY. From 1992 to 2000, he was Vice President, Corporate Development and Investor Relations, at International Specialty Products, Inc., Wayne, NJ. Since June 2007, he has been a Director of The Spectrum Group, Inc., Irvine, CA, a publicly traded global collectibles network, and is currently Chairman of Spectrum's Audit Committee and on their Compensation Committee. He holds a bachelor's degree in Chemical Engineering from Lafayette College, and an MBA from Harvard University. (1)	2005

(1) Member of Audit Committee

(2) Member of Compensation Committee

There are no family relationships between any Director and/or Officer of the Company.

Executive Officers and Significant Employees

Name and Position with the Company	Age	Principal Occupation During the Past Five Years
Kenneth H. Globus President, General Counsel and Chairman of the Board of Directors	60	From July 1988 to date, President and General Counsel of the Company. Chief Financial Officer of the Company from November 1997 to December 2006. Chairman of the Board of Directors since September 2009.

Robert S. Rubinger Executive Vice President, Secretary, Treasurer, Chief Financial Officer and Director	69	From July 1988 to date, Executive Vice President and Secretary of the Company. Treasurer of the Company since May 2010 and previously from May 1994 to May 2004. Chief Financial Officer of the Company from December 2006 to date.
Joseph J. Vernice Vice President	54	From February 1995 to date, Vice President of the Company. Since 1988 Manager of Research & Development of the Company and since 1991 Director of Technical Services of the Company.
Peter A. Hiltunen Vice President	53	From July 2002 to date, Vice President of the Company. Since 1982 Production Manager of the Company.
Roseann LaCorte Controller	45	From August 2010 to date, Controller and Accounting Manager of the Company. From June 2006 to July 2010 Asst. Controller of VS Management, Inc., Ronkonkoma, NY, a human resource benefits outsourcing company, and for more than 2 years prior thereto Senior Accountant for Estee Lauder Companies, Melville, NY, a major manufacturer of cosmetic products.

Board Leadership Structure

The Company is led by Kenneth H. Globus, who has served as President since 1988 and chairman of the board since September 2009. The Board is composed of Mr. Kenneth Globus, one non-independent director, and four independent directors. The Board has two standing committees comprised solely of independent directors, the audit and compensation committees. The Board also has a Stock Option Committee. Only the audit committee has a chairman. The Board does not have a lead director as all of the independent directors have a strong knowledge of Company operations and have held leadership positions in their respective employment, both past and present. The independent directors meet in executive session at least twice per year in accordance with NASDAQ guidelines. The Company has had this same basic leadership structure since it was founded in 1942, except that the committees were not established until the 1990s. The Board believes that this leadership structure has been effective for the Company considering its size and its resources, and similar leadership structures are commonly utilized by other small public companies in the United States.

Affirmative Determinations Regarding Director Independence

The Company's Board has considered the independence of the nominees for election at the Annual Meeting and has affirmatively determined that none of the four non-employee nominees for Director, Arthur Dresner, Andrew Boccone, Christopher Nolan, and Lawrence Maietta, has any material business, family or other relationship with the Company other than as a director, and for that reason they all qualify as independent under the corporate governance rules of NASDAQ. Lawrence Maietta does receive compensation as an outside accounting consultant in addition to the fees he receives as a Director, but the Board has determined that the additional compensation is not material and falls well below the thresholds established by NASDAQ and the SEC for determining independence. Kenneth Globus and Robert Rubinger are not independent due to their status as President and Executive Vice President, respectively, of the Company, and not due to any other transactions or relationships.

Role of the Board in Risk Oversight

The Board views risk management as a process designed to identify, manage, and control risks that may adversely affect the Company, so that they are appropriate considering the Company's size, operations and business

objectives. The Company's risk management policies enable the Company to manage risk within acceptable limits and provide reasonable assurance of optimum corporate performance in the area of risk/return. The Board has ultimate responsibility for oversight of the Company's risk management

processes, and discharges this responsibility through regular reports received from, and discussions with, senior management on all areas of material risk exposure to the Company. These reports and discussions include, among other things, operational, financial, legal and regulatory, and strategic risks. The full Board engages with the appropriate members of senior management to enable its members to understand and provide input to, and oversight of, risk identification, risk management and risk mitigation strategies. In addition, the Company's Audit Committee is responsible for evaluating and monitoring financial risks, and meets regularly in executive session without management present to, among other things, discuss the Company's risk management culture and processes. While the Board oversees the Company's risk management, the Company's senior management is responsible for day-to-day risk management processes.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires the Company's officers, directors and persons who own more than 10% of a class of the Company's equity securities to file reports of beneficial ownership and changes in beneficial ownership with the SEC. Officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. Based on (i) a review of copies of Forms 3, 4, and 5 and any amendments thereto furnished to the Company during and with respect to the fiscal year ended December 31, 2011 and (ii) any written representations signed by reporting persons that no Form 5 is required, the Company believes that all persons subject to the reporting requirements pursuant to Section 16(a) filed the required reports on a timely basis during and with respect to the fiscal year ended December 31, 2011.

Directors Meetings

During the fiscal year ended December 31, 2011, the Board of Directors held four meetings. Five of seven Directors serving at that time attended all four meetings. Henry P. Globus and Arthur M. Dresner were each absent for one meeting.

The Board of Directors has a separately-designated standing Audit Committee, established in accordance with Section 3(a)(58)(A) of the Exchange Act, to oversee the accounting and financial reporting processes of the Company and to meet and review with the Company's independent auditors the plan, scope and results of its audits. Members of the Audit Committee are Messrs. Arthur M. Dresner, the Chairman, Andrew A. Boccone, and Christopher W. Nolan, Sr. All of the Audit Committee members are independent as that term is defined in the listing standards of NASDAQ, the Company's stock exchange since March 16, 2009. Under NASDAQ rules, the Board of Directors is required to make certain findings about the independence and qualifications of the members of the Audit Committee of the Board. In addition to assessing the independence of the members under NASDAQ rules, the Board also considered the requirements of Section 10A(m)(3) and Rule 10a-3 under the Exchange Act. As a result of its review, the Board determined that the Audit Committee does not have a financial expert. However, Christopher W. Nolan, Sr., is considered "financially sophisticated" as that term is defined by NASDAQ, and Lawrence F. Maietta, a Certified Public Accountant and former member of the Audit Committee, acts as an advisor to the Audit Committee. Mr. Maietta would not be deemed independent for purposes of membership on the Audit Committee. The reason for the absence of a financial expert is that the Board of Directors determined that the expense involved did not justify recruiting one, considering Mr. Maietta's presence as an advisor and Mr. Nolan's "financially sophisticated" status. There were four meetings of the Audit Committee during the fiscal year ended December 31, 2011. All members attended all four meetings. A copy of the Audit Committee Charter is available on the Company's website at www.u-g.com/corporate.

During the fiscal year ended December 31, 2011, the independent directors of the Company, Messrs. Lawrence F. Maietta, Arthur M. Dresner, Andrew A. Boccone, and Christopher W. Nolan, Sr., held two meetings in executive session without the presence of non-independent directors and management in accordance with NASDAQ rules. Three of the independent directors were present at both of the meetings. Mr. Dresner was absent for one meeting. No fee was paid to such directors for these meetings.

The Board of Directors has a Stock Option Committee which considers proposals to grant options under the 2004 Stock Option Plan. This is not a standing committee. In past years the Stock Option Committee has consisted of two directors who were selected prior to the granting of options. There were no Stock Option Committee meetings during the fiscal year ended December 31, 2011.

The Board of Directors has a Compensation Committee which was formed in 1999 for the purpose of recommending to the Board the compensation of corporate officers and key employees for the ensuing year. Members of the Compensation Committee are Messrs. Lawrence F. Maietta, Arthur M. Dresner, and Andrew A. Boccone. Kenneth H. Globus acts as advisor to the Committee representing management. The Committee held one meeting in 2011. The Compensation Committee does not have a charter. Neither management nor the Committee has engaged a consultant to provide advice on compensation.

The Compensation Committee targets a total dollar amount to be allocated in the form of bonuses to all employees for the year. It also sets the specific bonus to be paid to each officer and key employee. These bonuses are paid as a single sum cash bonus in July of each year. In addition, the Committee recommends the amount of any cost of living increase for all employees based upon U.S. Department of Labor statistics for the prior year.

The Compensation Committee does not set compensation of Directors. Instead, the full Board of Directors acts on recommendations made by the independent directors. In its review of compensation of Directors, the Board considers various factors, such as compensation of Directors in other public companies of a similar size, the time spent by Board and Committee members in their service to the Company, and recent changes that may result in an increase or decrease in the responsibilities or time commitment of a Board and Committee member.

The Board does not have a Nominating Committee. The full Board of Directors fulfills the role of a nominating committee. Final selections are made by a majority of the independent directors. Kenneth H. Globus and Robert S. Rubinger are not independent as that term is defined by the listing standards of NASDAQ. It is the position of the Board that it is appropriate for the Company not to have a separate nominating committee because the size, composition and collective independence of the Board enables it to adequately fulfill the functions of a standing committee. NASDAQ does not require the Company to have a separate nominating committee but does require that Board nominees be selected by either a nominating committee composed solely of independent directors or by a majority of the independent directors. The Board does not consider diversity in identifying nominees for director positions.

The Board identifies director candidates through a combination of referrals, including by management, existing Board members, and stockholders. Once a candidate has been identified, the Board reviews the individual's experience and background, and may discuss the proposed nominee with the source of the recommendation. If the independent directors believe it to be appropriate, such directors may meet with the proposed nominee before making a final determination on whether to include the proposed nominee as a member of management's slate of director nominees submitted to the stockholders for election to the Board. The Board will evaluate stockholder-nominated candidates under the same criteria as director-nominated candidates. Stockholders wishing to refer director candidates to the Board should do so in writing and they should be delivered to the Board c/o Corporate Secretary, United-Guardian, Inc., P.O. Box 18050, Hauppauge, NY 11788. The Board of Directors has adopted a corporate resolution with regard to the nominating process as discussed above. The Board has no charter for the nominating process.

In 2011 five of the seven Directors serving at that time attended the Annual Meeting of stockholders. Henry P. Globus and Arthur M. Dresner were absent.

