UNITED GUARDIAN INC
Form 10QSB
August 05, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

X Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2005

_______ Transition report under Section 13 or 15(d) of the Exchange Act

For the transition period from __________ to ___________

Commission File Number 1-10526

UNITED-GUARDIAN, INC.

(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware	11-1719724
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

230 Marcus Boulevard., Hauppauge, New York 11788

(Address of Principal Executive Offices)

(631) 273-0900

(Issuer's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ______

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS
DURING THE PRECEDING FIVE YEARS

Check whether the Company filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes __________ No _____________

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of July 27, 2005:

4,938,139

UNITED-GUARDIAN, INC.

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Part I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

UNITED-GUARDIAN, INC.
CONSOLIDATED STATEMENTS OF EARNINGS

(UNAUDITED)

	SIX MONTHS ENDED JUNE 30, 2005	SIX MONTHS ENDED JUNE 30, 2004	THREE MONTHS EN JUNE 30, 2005	
Revenue:				
Net sales	$ 6,647,572	$ 5,990,071	$ 2,767,455	$ 3,
Costs and expenses:				
Cost of sales	3,041,560	2,598,815	1,272,793	1,
Operating expenses	1,325,339	1,347,487	656,646	
	4,366,899	3,946,302	1,929,439	2,
Income from operations	2,280,673	2,043,769	838,016	
Other income (expense):				
Investment income	161,291	106,412	94,952	
Loss on sale of marketable securities	(114,231)	-	-	
Other	(48)	(17)	-	
Income before income taxes	2,327,685	2,150,164	932,968	1,
Provision for income taxes	860,900	768,000	321,900	
Net income	$ 1,466,785	$ 1,382,164	$ 611,068	$
Earnings per common share (basic and diluted)	$ 0.30	$ 0.28	$ 0.12	$
Weighted average shares - basic	4,932,761	4,926,753	4,932,981	4,
Weighted average shares -diluted	4,940,239	4,937,206	4,940,204	4,

See consolidated notes to financial statements

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UNITED-GUARDIAN, INC.

CONSOLIDATED BALANCE SHEETS

ASSETS	JUNE 30 2005 (UNAUDITED)	DECEMBER 31, 2004 (DERIVED FROM AUDITED FINANCIAL STATEMENTS)
Current assets:		
Cash and cash equivalents	$ 2,191,186	$ 3,735,945
Temporary investments	698,052	402,288
Marketable securities	7,085,053	6,251,764
Accounts receivable, net of allowance for doubtful accounts of $33,971 and $45,000 at June 30, 2005 and December 31, 2004, respectively	1,481,111	918,085
Inventories (net)	1,039,641	1,375,880
Prepaid expenses and other current assets	328,942	515,425
Deferred income taxes	196,417	223,617
Total current assets	13,020,402	13,423,004
Property, plant and equipment:		
Land	69,000	69,000
Factory equipment and fixtures	3,033,217	2,975,305
Building and improvements	2,117,144	2,089,547
Waste disposal plant	133,532	133,532
	5,352,893	5,267,384
Less: Accumulated depreciation	4,370,237	4,269,713
	982,656	997,671
Other assets	258	700
	$ 14,003,316	$ 14,421,375

See consolidated notes to financial statements

UNITED-GUARDIAN, INC.
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY	JUNE 30, 2005 (UNAUDITED)	DECEMBER 31, 2004 (DERIVED FROM AUDITED FINANCIAL STATEMENTS)
Current liabilities:		
Dividends payable	$ -	$ 887,677
Accounts payable	201,366	172,320
Accrued expenses	526,221	395,167
Taxes payable	24,228	-
Total current liabilities	751,815	1,455,164
Deferred income taxes	10,000	10,000
Stockholders' equity:		
Common stock $.10 par value, authorized, 10,000,000 shares; 4,996,339 and 4,994,739 shares issued, respectively, and 4,934,139 and 4,932,539 shares outstanding, respectively	499,634	499,474
Capital in excess of par value	3,762,648	3,756,943
Accumulated other comprehensive loss	(40,955)	(86,730)
Retained earnings	9,379,804	9,146,154
Treasury stock, at cost; 62,200 shares	(359,630)	(359,630)
Total stockholders' equity	13,241,501	12,956,211
	$ 14,003,316	$ 14,421,375

See consolidated notes to financial statements

UNITED-GUARDIAN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	SIX MONTHS ENDED JUNE 30, 2005	SIX MONTHS ENDED JUNE 30, 2004
Cash flows provided by operating activities:		
Net income	$ 1,466,785	$ 1,382,164
Adjustments to reconcile net earnings to net cash flows from operations:		
Depreciation and amortization	100,524	103,180
Realized loss on sale of marketable securities	116,855	-
Provision for doubtful accounts	(11,029)	-
Provision for inventory obsolescence	-	(91,000)
(Increase) decrease in assets:		
Accounts receivable	(551,997)	(308,427)
Inventories	336,239	(294,667)
Prepaid expenses and other current and non-current assets	186,925	7,445
Increase (decrease) in liabilities:		
Accounts payable	29,046	165,972
Accrued expenses and taxes payable	155,282	148,572
Net cash provided by operating activities	1,828,630	1,113,239
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(85,509)	(99,024)
Net change in temporary investments	(295,764)	98,743
Proceeds from sale of marketable securities	3,465,351	1,175,677
Purchase of marketable securities	(4,342,520)	(1,247,013)
Net cash used in investing activities	(1,258,442)	(71,617)
Cash flows from financing activities:		
Proceeds from exercise of stock options	5,865	24,183
Dividends paid	(2,120,812)	(737,736)
Net cash used in financing activities	(2,114,947)	(713,553)
Net (decrease) increase in cash and cash equivalents	(1,544,759)	328,069
Cash and cash equivalents at beginning of period	3,735,945	2,710,029
Cash and cash equivalents at end of period	$ 2,191,186	$ 3,038,098

See consolidated notes to financial statements

UNITED-GUARDIAN, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

1. In the opinion of the Company, the accompanying unaudited financial statements contain all adjustments (consisting of only normal recurring

accruals) necessary to present fairly the financial position as of June 30, 2005 and the results of operations and cash flows for the six months ended June 30, 2005 and 2004. The accounting policies followed by the Company are set forth in the Company's financial statements included in its December 31, 2004 Annual Report to Shareholders.

2. The results of operations for the six months ended June 30, 2005 and 2004 are not necessarily indicative of the results to be expected for the full year.

3. Stock-Based Compensation: In 2004 the Company approved a new stock option plan ("2004 Stock Option Plan"). The 1993 Employee Incentive Stock Option Plan ("EISOP") and the Non-Statutory ("NSSOPD") expired in 2003. No grants were issued during the six months ended June 30, 2005 or June 30, 2004.

4. Inventories - Net

Inventories consist of the following:	June 30, 2005	December 31, 2004
Raw materials and work in process	$ 339,933	$ 332,798
Finished products and fine chemicals	699,708	1,043,082
	$1,039,641	$1,375,880

At June 30, 2005 and December 31, 2004, the Company has reserved $128,000 for slow moving and obsolete inventory.

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

Cash payments for taxes were $585,674 and $712,432 for the six months ended June 30, 2005 and 2004, respectively.

6. Comprehensive Income (Loss)

The components of comprehensive income (loss) are as follows:

	Six months ended June 30,		Three months
	2005	2004	2005

Net income	$1,466,785	$1,382,164	$ 611,068
Other comprehensive income (loss):			
Unrealized (loss) gain on marketable securities during period	(43,880)	(78,136)	55,313
Less: reclassification adjustment for losses included in net income	116,855	--	-
Other comprehensive income before tax	72,975	(78,136)	55,313
Income tax benefit (expense) related to other comprehensive income	27,200	(29,200)	20,600
Other comprehensive income (loss), net of tax.......	45,775	(48,936)	34,713
Comprehensive income net of tax	$1,512,560	$1,333,228	$ 645,781

Accumulated other comprehensive income (loss) is comprised of unrealized gains and losses on marketable securities, net of the related tax effect.

7. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share at June 30, 2005 and 2004.

	Six months ended June 30,		Three month June
	2005	2004	2005
Numerator:			
Net income	$1,466,785	$1,382,164	$ 611,068
Denominator:			
Denominator for basic earnings per share (weighted average shares)	4,932,761	4,926,753	4,932,981
Effect of dilutive securities:			
Employee stock options	7,478	10,453	7,223
Denominator for diluted earnings per share (adjusted weighted-average shares) and assumed conversions	4,940,239	4,937,206	4,940,204
Basic and diluted earnings per share	$ 0.30	$ 0.28	$ 0.12

8. The Company has the following two reportable business segments: Guardian Laboratories and Eastern Chemical. The Guardian segment conducts research, development and manufacturing of cosmetic ingredients, personal and health care

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products, pharmaceuticals and specialty industrial products. The Eastern segment distributes fine chemicals, solutions, dyes and reagents.

The accounting policies used to develop segment information correspond to those described in the summary of significant accounting policies as set forth in the Annual Report for the year ended December 31, 2004. Segment earnings or loss is based on earnings or loss from operations before income taxes. The reportable segments are distinct business units operating in different industries. They are separately managed, with separate marketing and distribution systems. The following information about the two segments is for the three and six month periods ended June 30, 2005 and 2004.

	Six months ended June 30, 2005			
	GUARDIAN	EASTERN	TOTAL	GUARDIAN
Revenues from external customers	$ 6,054,390	$ 593,182	$ 6,647,572	$ 5,422,334
Depreciation and amortization	44,750	-	44,750	49,767
Segment income (loss) before income taxes*	2,327,899	31,953	2,359,852	2,165,996
Segment assets	2,648,972	354,204	3,003,176	3,134,561
Capital expenditure	27,916	-	27,916	92,221

Reconciliation to Consolidated Amounts

Income before income taxes

Total earnings for reportable segments	$ 2,359,852
Other (loss) income, net	47,012
Corporate headquarters expense	(79,179)
Consolidated earnings before income taxes	$ 2,327,685

Assets

Total assets for reportable segments	$ 3,003,176
Corporate headquarters	11,000,140
Total consolidated assets	$14,003,316

	Three months ended June 30, 2005			
	GUARDIAN	EASTERN	TOTAL	GUARDIAN
Revenues from external customers	$ 2,486,642	$ 280,813	$ 2,767,455	$ 2,727,102
Depreciation and amortization	23,415	-	23,415	23,921
Segment income (loss) before income taxes*	857,842	19,679	877,521	1,062,065

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Reconciliation to Consolidated Amounts

Income before income taxes

Total earnings for reportable segments	$ 877,521
Other income, net	94,952
Corporate headquarters expense	(39,505)

Consolidated earnings before income taxes	$ 932,968

Other Significant items

	Six months ended June 30, 2005			
	Segment Totals	Corporate	Consolidated Totals	Segment Totals
Expenditures for assets	$ 27,916	$ 57,593	$ 85,509	$ 92,221
Depreciation and amortization	44,750	55,774	100,524	49,767

Geographic Information

	2005		2004	
	Revenues	Long-Lived Assets	Revenues	Lo
United States	$ 3,391,534	$ 982,656	$ 2,936,424	$
France	781,473		753,847	
Other countries	2,474,565		2,299,800	
	$ 6,647,572	$ 982,656	$ 5,990,071	$

Major Customers

	2005	2004
Customer A (Guardian)**	$ 2,313,604	$ 2,527,401
Customer B (Guardian)**	665,793	627,476
All other customers	3,668,175	2,835,194
	$ 6,647,572	$ 5,990,071

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* The Company has revised the estimated overhead allocated to the Eastern Chemical subsidiary due to reductions in personnel and inventory and an overall downsizing of the Eastern operation. This has resulted in a reduction in the amount of overhead allocated to Eastern and a commensurate increase in the amount of overhead being absorbed by the Guardian division. This has also resulted in an increase in the overhead rate for the Guardian division.

If the current allocation had been used for the Eastern subsidiary in June 2004, Eastern would have had earnings from operations of $18,483 and $5,308 for the six and three months ended June 30, 2004, respectively.

** At June 30, 2005 Customers A and B had balances approximating 49% and 15% of accounts receivable respectively. At June 30, 2004 Customers A and B had balances approximating 40% and 14% of accounts receivable respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD LOOKING STATEMENTS

Statements made in this Form 10-QSB which are not purely historical are forward-looking statements with respect to the goals, plans, objectives, intentions, expectations, financial condition, results of operations, future performance and business of the Company. Forward-looking statements may be identified by the use of such words as "believes," "may," "will," "should," "intends," "plans," "estimates," or "anticipates" or other similar expressions.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond our control) could cause actual results to differ materially from those set forth in the forward-looking statements. In addition to those specific risks and uncertainties set forth in the Company's reports currently on file with the SEC, some other factors that may affect the future results of operations of the Company are: the development of products that may be superior to those of the Company; changes in the quality or composition of the Company's products; lack of market acceptance of the Company's products; the Company's ability to develop new products; general economic or industry conditions; intellectual property rights; changes in interest rates; new legislation or regulatory requirements; conditions of the securities markets; the Company's ability to raise capital; changes in accounting principals, policies or guidelines; financial or political instability; acts of war or terrorism; and other economic, competitive, governmental, regulatory and technical factors that may affect the Company's operations, products, services and prices.

Accordingly, results actually achieved may differ materially from those anticipated as a result of such forward-looking statements, and those statements speak only as of the date they are made. The Company does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

OVERVIEW

The Company is a Delaware corporation that operates in two business segments. 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. The products manufactured by Guardian are marketed through marketing partners, distributors, direct advertising, mailings, and trade exhibitions. Its most important personal care product line is its LUBRAJEL(R) line of water based moisturizing and lubricating gels. It also sells two pharmaceutical products, which are distributed primarily through drug wholesalers and surgical supply houses. There are also indirect sales to the Veteran's Administration and other government agencies, and to some hospitals and physicians.

While the Company does have competition in the marketplace for some of its products, many of its products or processes are either unique in their field or have some unique characteristics, and therefore are not in direct competition with the products or processes of other pharmaceutical, chemical, or health care companies. Guardian's research and development department is actively working on the development of new products to expand the Company's personal care line.

The Company has been issued many patents and trademarks, and intends whenever possible to make efforts to obtain patents in connection with its product development program.

The Company's Eastern Chemical subsidiary ("Eastern") distributes a line of fine organic chemicals, research chemicals, test solutions, indicators, dyes and reagents. Eastern's products are marketed through advertising in trade publications and direct mailings. Since the Company's business activities and marketing efforts over the past several years have focused increasingly on the Guardian division, the Company has reduced Eastern's inventory levels in order to make it more marketable in the event the Company decides to sell it at some future date. This has resulted in some reduction in sales as compared to previous years. Sales of this division have also declined as a result of increased competition from new and existing competitors.

Products manufactured by Guardian are marketed worldwide through the Company's extensive marketing and distribution arrangements. Approximately half of Guardian's sales are to foreign customers.

The following discussion and analysis covers material changes in the financial condition of the Company since year end December 31, 2004, and a comparison of the results of operations for the six month period ended June 30, 2005 and June 30, 2004. This discussion and analysis should be read in conjunction with "Management's Discussion and Analysis or Plan of Operation" included in the Company's Form 10-KSB for the year ended December 31, 2004.

RESULTS OF OPERATIONS

Gross revenue from operations

For the six month period ended June 30, 2005, net sales increased $657,501 (11.0%) versus the comparable period in 2004. Guardian had a sales increase of $632,056 (11.7%) and Eastern had a sales increase of $25,445 (4.5%).

For the three month period ended June 30, 2005, net sales decreased $255,513 (8.5%) versus the comparable period in 2004. Guardian had a sales decrease of $240,460 (8.8%) and Eastern had a sales decrease of $15,053 (5.1%)

The increase in Guardian's sales for the six month period ended June 30, 2005 is believed to be due to (a) an unusually high number of shipments taking place in January that resulted from some customers requesting that their orders not be shipped until after the first of the year, and (b) normal fluctuations in the purchasing patterns of its customers. The increase in Eastern's sales is believed to be due to normal fluctuations in the purchasing patterns of its customers. The decrease in Guardian's sales for the three month period ended June 30, 2005 is believed to be due to (a) an increase in sales of the company's pharmaceutical products in the first quarter that resulted from a price increase that went into effect on March 1st, causing some customers to take in extra inventory in the first quarter that would otherwise have been purchased in the second quarter, and (b) normal fluctuations in the purchasing patterns of its customers. The decrease in Eastern's sales for the three months ended June 30, 2005 is believed to be due to normal fluctuations in the purchasing patterns of it's customers.

Cost of sales

Cost of sales as a percentage of sales increased to 45.8% for the six months ended June 30, 2005 from 43.4% for the comparable period ended June 30, 2004. For the three months ended June 30, 2005 compared to the three months ended June 30, 2004 cost of sales as a percentage of sales increased to 46% from 43.8%. These increases are mainly due to (a) increases in standard overhead rates; (b) increases in fixed overhead costs, (primarily payroll and payroll related costs); and (c) a higher than normal sales volume of a product with higher costs in anticipation of a March 1st price increase for that product.

Operating Expenses

Operating expenses decreased $22,148 (1.6%) for the six months ended June 30, 2005 compared to the comparable period in 2004. For the three month period ended June 30, 2005 operating expenses decreased $44,990 (6.4%). These decreases are mainly due to the higher standard overhead allocation to manufacturing.

Investment income

Investment income decreased $59,352 (55.8%) for the six months ended June 30, 2005 as compared to the comparable period in 2004. This decrease mainly was attributable to the net effect of an increase in income from securities of $54,879 and the sale of a portfolio of marketable securities, primarily bonds, the bulk of which had been managed for the Company by Merrill Lynch. The sale of this portfolio resulted in a realized loss of approximately $116,000, of which approximately $105,000 had previously been recorded in the equity section of the balance sheet as an "accumulated other comprehensive loss". Approximately $108,000 of the above loss was due to the sale of the bond portfolio managed by

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Merrill Lynch, which, over the 18 months the company held it, had realized interest income net of broker fees of approximately $154,000. Investment income is recorded net of brokerage fees.

For the three months ended June 30, 2005 investment income increased $45,632 (92.5%), which was mainly attributable to increased interest rates and an increase in market value of some of the investments held by the company.

Provision for income taxes

The provision for income taxes increased $92,900 (12.1%) for the six months ended June 30, 2005 when compared to the comparable period in 2004. This increase was due to (a) increased earnings before taxes of $177,521, and (b)the adding back of the approximately $116,000 loss on sale of the Merrill Lynch bond portfolio, which is not currently deductible. Income taxes decreased $50,900 (13.7%) for the three months ended June 30, 2005 compared to comparable period in 2004. This decrease is mainly due to a decrease in income before taxes of $112,129.

LIQUIDITY AND CAPITAL RESOURCES

Working capital increased from $11,967,840 at December 31, 2004 to $12,268,587 at June 30, 2005. The current ratio increased from 9.2 to 1 at December 31, 2004 to 17.3 to 1 at June 30, 2005. The increase in current ratio was primarily due to the net effect of a decrease in dividends payable and inventories, along with increases in accounts receivable and accrued expenses. The Company has no commitments for any further significant capital expenditures during the remainder of 2005, and believes that its working capital is and will continue to be sufficient to support its operating requirements.

The company generated cash from operations of $1,828,630 and $1,113,239 for the six months ended June 30, 2005 and June 30, 2004 respectively. The increase was primarily due to the net effect decreases in inventory, prepaid expenses and dividends payable offset by increases in accounts receivable and accounts payable.

During the six month period ended June 30, 2005, $1,258,442 was used in investment activities, as compared to $71,617 for the six months ended June 30, 2004. The change is mainly due to the net effect of the sale (primarily bonds) and purchases (primarily bond funds) of marketable securities.

Cash used in financing activities was $2,114,947 and $713,553 for the six months ended June 30, 2005 and June 30, 2004 respectively. The increase was due primarily to an increase in dividends paid during the six months ended June 30, 2005.

Item 3. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Within 90 days prior to the filing of this Quarterly Report on Form 10-QSB the Company's principal executive officer and principal financial officer

evaluated the effectiveness of the design and operation of Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 (the "Exchange Act")) and concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its officers, as appropriate to allow timely decisions regarding required disclosure, and are effective to ensure that such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) Changes in Internal Controls

The Company's principal executive officer and principal financial officer have also concluded there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS: NONE
ITEM 2 - CHANGES IN SECURITIES AND USE OF PROCEEDS: NONE
ITEM 3 - DEFAULTS UPON SENIOR SECURITIES: NONE
ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS: NONE
ITEM 5 - OTHER INFORMATION: NONE
ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits

31.1 Certification of Alfred R. Globus, Chairman and Chief Executive Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Kenneth H. Globus, President and Chief Financial Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Alfred R. Globus, Chairman and Chief Executive Officer of the Company, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Kenneth H. Globus, President and Chief Financial Officer of the Company, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

b. Reports on Form 8-K

There were two reports on Form 8-K filed during the fiscal quarter ended June 30, 2005. One was filed on May 9, 2005 and related to the issuance of an earnings release by the Company on May 6, 2005. The other was filed on May 20, 2005 and related to the payment of a cash dividend to stockholders.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED-GUARDIAN, INC.
(Registrant)

By: /s/ Alfred R. Globus

Alfred R. Globus
Chief Executive Officer

By: /s/ Kenneth H. Globus

Kenneth H. Globus
Chief Financial Officer

Date: August 5, 2005