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

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2011

☐ **TRANSITION REPORT PURSUANT TO 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to _________

Commission File Number: 1-10526

UNITED-GUARDIAN, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**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
(Registrant's Telephone Number)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ **No** ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	
Non-accelerated filer	☐	**(Do not check if a smaller reporting company)**
Accelerated filer	☐	
Smaller reporting company	☑	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

Yes ☐ No ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

4,596,439 shares of common stock, par value $.10 per share
(as of August 1, 2011)

UNITED-GUARDIAN, INC.
INDEX TO FINANCIAL STATEMENTS

Part I. FINANCIAL INFORMATION

ITEM 1. Condensed Financial Statements

UNITED-GUARDIAN, INC.

STATEMENTS OF INCOME
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2011	2010	2011	2010
Net sales	$ 4,060,299	$ 3,734,552	$ 7,702,348	$ 7,311,467
Costs and expenses:				
Cost of sales	1,628,293	1,397,379	3,088,883	2,811,946
Operating expenses	700,783	708,580	1,221,929	1,326,629
Pension plan termination	---	847,744	---	847,744
Total costs and expenses	2,329,076	2,953,703	4,310,812	4,986,319
Income from operations	1,731,223	780,849	3,391,536	2,325,148
Other income:				
Investment income	72,580	132,876	143,903	225,146
Gain on sale of assets	11,237	---	5,984	---
Income before income taxes	1,815,040	913,725	3,541,423	2,550,294
Provision for income taxes	590,400	289,201	1,150,600	829,926
Net Income	$ 1,224,640	$ 624,524	$ 2,390,823	$ 1,720,368
Earnings per common share (Basic and Diluted)	$ 0.27	$ 0.13	$ 0.52	$ 0.35
Weighted average shares – basic and diluted	4,596,439	4,819,516	4,596,439	4,882,627

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.

BALANCE SHEETS

ASSETS

		JUNE 30, 2011 (UNAUDITED)		DECEMBER 31, 2010
Current assets:				
Cash and cash equivalents	$	1,443,884	$	1,514,589
Marketable securities		9,600,305		8,314,403
Accounts receivable, net of allowance for doubtful accounts of $23,000 at June 30, 2011 and December 31, 2010		1,694,656		1,090,711
Inventories (net)		1,027,730		1,321,389
Prepaid expenses and other current assets		200,502		148,240
Prepaid income taxes		---		182,575
Deferred income taxes		218,328		218,328
Total current assets		14,185,405		12,790,235
Property, plant and equipment:				
Land		69,000		69,000
Factory equipment and fixtures		3,676,823		3,650,283
Building and improvements		2,670,451		2,618,253
Waste disposal plant		133,532		133,532
Total property, plant and equipment		6,549,806		6,471,068
Less: Accumulated depreciation		5,311,040		5,261,908
Total property, plant and equipment, net		1,238,766		1,209,160
Other assets		56,508		75,344
TOTAL ASSETS	$	15,480,679	$	14,074,739

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.

BALANCE SHEETS
(continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

		JUNE 30, 2011		DECEMBER 31, 2010
Current liabilities:		(UNAUDITED)		
Accounts payable	$	558,419	$	208,244
Accrued expenses		1,002,685		815,996
Income taxes payable		62,725		---
Total current liabilities		1,623,829		1,024,240
Deferred income taxes		27,973		3,626
Stockholders' equity:				
Common stock $.10 par value, authorized, 10,000,000 shares; 4,596,439 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively.		459,644		459,644
Accumulated other comprehensive income (loss)		52,735		6,835
Retained earnings		13,316,498		12,580,394
Total stockholders' equity		13,828,877		13,046,873
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	15,480,679	$	14,074,739

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.

STATEMENTS OF CASH FLOWS

(UNAUDITED)

	SIX MONTHS ENDED June 30, 2011	SIX MONTHS ENDED June 30, 2010
Cash flows from operating activities:		
Net income	$ 2,390,823	$ 1,720,368
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	126,368	108,266
Realized gain on sales of marketable Securities	(142)	(47,909)
Realized gain on sale of assets	(5,984)	---
Realized loss on pension termination	---	338,655
Amortization of bond premium	140	---
(Decrease) increase in cash resulting from changes in operating assets and liabilities:		
Accounts receivable	(603,945)	(656,002)
Inventories	293,659	(164,848)
Prepaid expenses and other current and non-current assets	(52,262)	(15,319)
Deferred income taxes	---	37,742
Accounts payable	350,175	(62,868)
Accrued expenses and taxes payable	431,989	26,461
Pension liability	---	337,378
Net cash provided by operating activities	2,930,821	1,621,924
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(157,545)	(208,862)
Proceeds from sale of assets	26,390	
Proceeds from sale of marketable securities	1,300,000	5,104,428
Purchases of marketable securities	(2,515,653)	(3,918,748)
Net change in certificates of deposit	---	578,399
Net cash (used in) provided by investing activities	(1,346,808)	1,555,217
Cash flows from financing activities:		
Acquisition of treasury stock	---	(3,762,500)
Dividends paid	(1,654,718)	(3,066,792)
Net cash used in financing activities	(1,654,718)	(6,829,292)
Net decrease in cash and cash equivalents	(70,705)	(3,652,151)
Cash and cash equivalents at beginning of period	1,514,589	5,021,073
Cash and cash equivalents at end of period	$ 1, 443,884	$ 1,368,922

See Notes to Condensed Financial Statements

NOTES TO CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

1. Nature of Business

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

2. Basis of Presentation

Interim financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Regulation SX. In the opinion of management, all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods have been included. The results of operations for the three and six months ended June 30, 2011 (also referred to as the "second quarter of 2011" and the "first half of 2011", respectively) are not necessarily indicative of results that ultimately may be achieved for any other interim period or for the year ending December 31, 2011. The interim unaudited financial statements and notes thereto should be read in conjunction with the audited financial statements and notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2010.

3. Stock-Based Compensation

The Company maintains a stock-based compensation plan for its employees and directors, which is more fully described in the Company's Annual Report on Form 10-K for the year ended December 31, 2010. The Company recognizes the fair value of all share-based payments to employees, including grants of employee stock options, as a compensation expense in the financial statement.

As of June 30, 2011, the Company had no share-based awards outstanding and exercisable and did not grant any options during the first half of 2011.

As of June 30, 2011, there were no remaining unrecognized compensation costs related to the non-vested share-based compensation arrangements granted under the Company's plans.

The Company did not record any stock-based compensation expense during the first half of 2011 or 2010.

The Company did not receive any proceeds from the exercise of options during the first half of 2011 or 2010.

4. Investments

The fair values of the Company's marketable securities and certificates of deposit are determined in accordance with GAAP, with fair value being defined as the amount that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company utilizes the three-tier value hierarchy, as prescribed by GAAP, which prioritizes the inputs used in measuring fair value, as follows:

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

June 30, 2011	Cost	Fair Value	Unrealized Gain/(Loss)
Available for Sale:			
U.S. Treasury and agencies			
Mature within 1 year	$ 507,126	$ 479,641	$ (27,485)
Total US Treasury and agencies	507,126	479,641	(27,485)
Corporate bonds			
Mature within 1 year	174,128	165,919	(8,209)
Maturities after 1 year through 5 years	297,464	291,500	(5,964)
Fixed income mutual funds	8,289,700	8,407,414	117,714
Equity and other mutual funds	251,179	255,831	4,652
	$ 9,519,597	$ 9,600,305	$ 80,708

December 31, 2010	Cost	Fair Value	Unrealized Gain/(Loss)
Available for Sale:			
U.S. Treasury and agencies			
Mature within 1 year	$ 859,589	$ 853,682	$ (5,907)
Maturities after 1 year through 5 years	249,137	244,161	(4,976)
Total US Treasury and agencies	1,108,726	1,097,843	(10,883)
Corporate bonds			
Maturities after 1 year through 5 years	267,251	259,154	(8,097)
Fixed income mutual funds	6,678,972	6,715,870	36,898
Equity and other mutual funds	248,993	241,536	(7,457)
	$ 8,303,942	$ 8,314,403	$ 10,461

Proceeds from the sale and redemption of marketable securities amounted to $1,300,000 for the first half of 2011, which included realized gains of $142. Proceeds from the sale and redemption of marketable securities amounted to $5,104,428 for the first half of 2010, which included realized gains of $47,909.

Investment income consisted principally of interest income from certificates of deposit, bonds and money market funds and dividend income from bond funds and mutual funds.

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

5. Inventories - Net

	June 30, 2011	December 31, 2010
Inventories consist of the following:		
Raw materials and work in process	$ 478,938	$ 447,295
Finished products	548,792	874,094
	$ 1,027,730	$ 1,321,389

Finished product inventories at June 30, 2011 and December 31, 2010 are stated net of a reserve of $20,000 and $39,000, respectively, for slow-moving or obsolete inventory.

6. Supplemental Financial Statement Information

For purposes of the Statements 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 $905,000 and $1,025,300 for the first half of 2011 and 2010, respectively. No payments were made for interest during these periods.

The Company paid $1,654,718 ($0.36 per share) and $3,066,792 ($0.62 per share) in dividends for the first half of 2011 and 2010, respectively. The amount that the Company paid in dividends in the first half of 2011 was less than the amount paid in the first half of 2010 because the Company paid the 2010 year-end dividend in December 2010 rather than waiting until January 2011 due to uncertainties relating to the taxation of qualified dividends, whereas the dividend declared in December 2009 was paid in January 2010.

On May 29, 2010 the Company retired 350,000 shares of stock that it purchased from Kenneth H. Globus, the Company's President and largest stockholder. On June 9, 2010 the Company retired the 62,200 shares of its stock which it previously held as treasury stock.

Research and development expenses amounted to $259,766 and $257,268 for the first half of 2011 and 2010, respectively, and are included in operating expenses.

7. Income Taxes

The Company’s tax provision is based on its estimated annual effective rate. The Company continues to fully recognize its tax benefits, which are offset by a valuation allowance to the extent that it is more likely than not that the deferred tax assets will not be realized. As of June 30, 2011 and December 31, 2010 the Company did not have any unrecognized tax benefits.

The Company files consolidated Federal income tax returns in the U.S. with its inactive subsidiary, and separate income tax returns in New York State. The Company is subject to examination by the Internal Revenue Service and by New York State for years 2008 through 2010.

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

8. Comprehensive Income

The components of comprehensive income are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Net income	$ 1,224,640	$ 624,524	$ 2,390,823	$ 1,720,368
Other comprehensive income				
Unrealized gain on marketable securities during period	57,152	23,724	80,708	63,886
Adjustment for pension termination	---	518,296	---	518,296
Income tax expense related to other comprehensive income	(19,810)	(187,864)	(27,973)	(201,784)
Other comprehensive income, net of tax	37,342	354,156	52,735	380,398
Comprehensive income	$ 1,261,982	$ 978,680	$ 2,443,558	$ 2,100,766

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

9. Defined Contribution Plan

The Company sponsors a 401(k) defined contribution plan ("DC Plan") that provides for a dollar-for-dollar employer matching contribution of the first 4% of each employee's pay. In 2009, the Company also began making additional discretionary contributions to each employee's account based on a “pay-to-pay” safe-harbor formula that qualifies the 401(k) plan under current IRS regulations. For the three and six months ended June 30, 2011 the Company had accrued for contributions of $43,750 and $87,500, respectively, to the DC Plan. In the three-month period ended March 31, 2010 the Company had accrued for a contribution of $43,750 to the DC Plan, but, as a result of the unexpected costs the Company incurred in terminating its previous defined benefit pension plan, the Company reversed that provision in the second quarter of 2010.

10. Related-Party Transactions

During the first half of 2011 and 2010, the Company paid to Henry Globus, a former officer and current director of the Company, $11,148, for consulting services in accordance with his employment termination agreement of 1988.

During the first half of 2011 and 2010 the Company paid to Bonamassa, Maietta and Cartelli, LLP $6,000 and $7,500, respectively, for accounting and tax services. Lawrence Maietta, a partner in Bonamassa, Maietta and Cartelli, LLP, is a director of the Company.

On May 28, 2010 the Company redeemed and retired 350,000 shares of its stock from its largest shareholder and President, Kenneth H. Globus, at $10.75 per share, for a total of $3,762,500.

During the first quarter of 2011 the Company sold one of its vehicles, with a book value of $20,407, to one of its Vice Presidents for $15,154 (the vehicle's fair market value) as part of his severance package. As a result, the Company recognized a non-cash loss of $5,253.

11. Other Information

Accrued Expenses

	June 30, 2011	December 31, 2010
Accrued bonuses	$ 408,250	$ 180,000
Accrued 401K plan contributions	87,500	175,000
Accrued distribution fees	187,904	190,590
Other	319,031	270,406
	$ 1,002,685	$ 815,996

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

FORWARD-LOOKING STATEMENTS

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

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

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

OVERVIEW

The Company is a Delaware corporation that conducts research, product development, manufacturing and marketing of cosmetic ingredients, personal and health care products, pharmaceuticals, and specialty industrial products. All of the products that the Company manufactures, with the exception of its RENACIDIN IRRIGATION®, are produced at its facility in Hauppauge, New York, and are marketed through marketing partners, distributors, wholesalers, direct advertising, mailings, and trade exhibitions. Its most important personal care product line is its LUBRAJEL® line of water-based moisturizing and lubricating gels. It also sells two pharmaceutical products for urological uses. Those products are sold primarily through the major drug wholesalers, which in turn sell the products to pharmacies, hospitals, nursing homes and other long-term care facilities, and to government agencies, primarily the Veteran's Administration.

The Company's pharmaceutical products are distributed primarily in the United States. Its personal care products are marketed worldwide by five marketing partners, of which International Specialty Products Inc. ("ISP") purchases the largest volume of products from the Company. Approximately one-half of the Company's personal care products are sold, either directly or through the Company's marketing partners, to end-users located outside of the United States.

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

The Company recognizes revenue when products are shipped, title and risk of loss pass to the customers, persuasive evidence of a sales arrangement exists, and collections are reasonably assured. An allowance for returns, based on historical experience, is taken as a reduction of sales within the same period the revenue is recognized.

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.

CRITICAL ACCOUNTING POLICIES

As disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, the discussion and analysis of the Company's financial condition and results of operations are based on its financial statements, which have been prepared in conformity with U.S. generally accepted accounting principles. The preparation of those financial statements required the Company to make estimates and assumptions that affect the carrying value of assets, liabilities, revenues and expenses reported in those financial statements. Those estimates and assumptions can be subjective and complex, and consequently actual results could differ from those estimates and assumptions. The Company's most critical accounting policies relate to revenue recognition, concentration of credit risk, inventory, patents, and income taxes. Since December 31, 2010, there have been no significant changes to the assumptions and estimates related to those critical accounting policies.

The following discussion and analysis covers material changes in the financial condition of the Company since the year ended December 31, 2010, and a comparison of the results of operations for the second quarter of 2011 and 2010, and the first half of 2011 and 2010. This discussion and analysis should be read in conjunction with "Management's Discussion and Analysis or Plan of Operation" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

RESULTS OF OPERATIONS

Sales

Net sales for the second quarter of 2011 increased $325,747 (8.7%) compared with the comparable period in 2010. Net sales for the first half of 2011 increased $390,881 (5.3%) as compared with the corresponding period in 2010. The changes in net sales for the second quarter of 2011 and the first half of 2011 were attributable to changes in sales of the following product lines:

(a) **Pharmaceuticals:** Pharmaceutical sales for the second quarter of 2011 increased $387,688 (62.0%) when compared with the second quarter of 2010. This was the result of a price increase that was implemented on June 1, 2011, which caused a significant increase in sales in May 2011 as customers purchased additional inventory in anticipation of the price increase. In addition, because of the shortage of the Company's RENACIDIN IRRIGATION product from November 2010 to May 2011, sales increased significantly when product became available in May. However, Pharmaceutical sales for the first half of 2011 decreased $99,743 (7.1%) compared with the same period in 2010 as a result of the limited availability of RENACIDIN IRRIGATION in the first quarter of 2011.

(b) **Personal care products**: For the second quarter of 2011 the Company's sales of personal care products increased by $132,092 (5.6%) when compared with the second quarter of 2010. For the first half of 2011 the Company's sales of personal care products increased by $456,603 (10.1%) when compared with the comparable period in 2010. These increases were primarily the result of an increase in sales to the Company's largest marketing partner, ISP. Sales to ISP increased by $344,840 (20.6%) and $868,932 (26.8%) and for the three and six months, respectively, ended June 30, 2011, compared with the corresponding periods in 2010. These increases were partially offset by decreases in sales to four of the Company's five other marketing partners for these periods. The Company believes that approximately 35-40% of the decreases were attributable to business lost to competitive products, and the balance was due to the timing of orders. The Company has been informed that some of the business lost in the first half of 2011 has already been recovered for future deliveries. The Company is aggressively working with its marketing partners to try to fully recover any business it has lost to competitive products.

(c) **Medical (non-pharmaceutical) products:** Sales of the Company's medical products decreased by $46,965 (7.6%) for the second quarter of 2011 compared with the second quarter of 2010, and sales increased by $172,799 (13.3%) for the first half of 2011 compared with the comparable period in 2010. These changes were primarily attributable to the ordering patterns of the Company's customers for these products, and may not reflect an increase or a decrease in sales of these products on an annualized basis.

(d) **Industrial & other products**: Sales of the Company's industrial products, as well as other miscellaneous products, decreased by $35,338 (54.1%) and $33,556 (36.3%) for the three and six months, respectively, ended June 30, 2011, when compared with the corresponding periods ended June 30, 2010.

In addition to the above changes in sales, net sales allowances increased $111,729 and $105,223 for the three and six months, respectively, ended June 30, 2011, when compared with the corresponding periods in 2010. The increases were primarily due to increases in allowances for distribution fees related to sales of the Company's pharmaceutical products.

Cost of Sales

For the second quarter of 2011, cost of sales as a percentage of sales increased to 40.1% from 37.4% as compared with the comparable period in 2010. Cost of sales as a percentage of sales increased to 40.1% for the first half of 2011 from 38.5% for the comparable period in 2010. The increases in cost of sales were primarily due to an increase in the cost of the Company's most significant raw material, partially offset by a slight shift in the Company's product mix to higher-margin products.

Operating Expenses

Operating expenses consist of selling, general and administrative expenses. Operating expenses decreased $7,797 (1.1%) for the second quarter of 2011 compared with the comparable quarter in 2010, and decreased $104,700 (7.9%) for the first half of 2011 compared with the first half of 2010. The decreases for the second quarter and first half of 2011 were primarily attributable to decreases in payroll and payroll-related expenses, professional and consulting fees and a real estate tax refund.

Defined Benefit Pension Plan Termination

On July 13, 2010, the Company terminated its defined benefit pension plan ("DB Plan"). The termination resulted in the Company recognizing a one-time non-cash expense of $518,296, offset by a $179,641 tax benefit associated with recognizing unamortized actuarial losses. In addition, the Company provided for a cash contribution of $337,378, offset by a $116,900 tax benefit, in order to fully fund the DB Plan. The recognition of the non-cash and cash contributions resulted in a before-tax charge of $847,744, and an after-tax charge of $559,133 ($0.12 and $0.11 per share for the three and six months, respectively, ended June 30, 2010). Since the non-cash expense had previously been provided for as a charge to other comprehensive income, the net effect of the termination was a $220,478 decrease in stockholders' equity.

Other Income

Investment income decreased $60,296 (45.4%) and $81,243 (36.1%) for the three and six months, respectively, ended June 30, 2011, when compared with the comparable periods in 2010. These decreases were mainly attributable to a decline in interest rates. In the second quarter of 2011 the Company experienced a gain of $11,237 from the sale of equipment. For the first half of 2011 there was a net gain of $5,984, which consisted of the $11,237 gain from the second quarter partially offset by a loss of $5,523 on the sale of a company vehicle in the first quarter of 2011. There were no such gains or losses for the comparable periods in 2010.

Provision for Income Taxes

The provision for income taxes increased by $301,199 (104.1%) and $320,674 (38.6%) for the three and six months, respectively, ended June 30, 2011, when compared with the comparable periods in 2010. These increases were primarily due to increases in income before taxes of $901,315 (98.6%) and $991,129 (38.9%) for the three and six months, respectively, ended June 30, 2011 compared with the comparable periods in 2010.

The Company's effective income tax rate was approximately 33.0% for all periods presented.

LIQUIDITY AND CAPITAL RESOURCES

Working capital increased by $795,581 to $12,561,576 at June 30, 2011 from $11,765,995 at December 31, 2010. The increase in working capital was primarily due to an increase in marketable securities and accounts receivable. The current ratio decreased to 8.7 to 1 at June 30, 2011 from 12.5 to 1 at December 31, 2010. The decrease in the current ratio was primarily due to the effect of a increase in accounts payable and accrued expenses.

During the first half of 2011 the average period of time that an account receivable was outstanding was approximately 33 days. The average period of time that an account receivable was outstanding during the first half of 2010 was 42 days.

The Company believes that its working capital is and will continue to be sufficient to support its operating requirements for at least the next twelve months. The Company does not expect to incur any significant capital expenditures for the remainder of 2011.

The Company generated cash from operations of $2,930,821 and $1,621,924 for the first half of 2011 and 2010, respectively. The increase was primarily due to increases in net income, accounts payable, and accrued expenses, and a decrease in inventory.

Cash used in investing activities for the first half of 2011 was $1,346,808, while cash provided by investing activities was $1,555,217 for the first half of 2010. This decrease was primarily due to the sale of marketable securities in the six months ended June 30, 2010.

Cash used in financing activities was $1,654,718 and $6,829,292 for the first half of 2011 and 2010, respectively. This decrease was mainly due to no further acquisition of treasury stock for the first half of 2011, and no dividend payment in the first quarter of 2011. The Company chose to pay the year-end dividend in December 2010 rather than waiting until January 2011 due to uncertainties regarding the extension of certain tax cuts on qualified dividends originally enacted under the Economic Growth and Tax Relief Reconciliation Act of 2001.

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

RECENT ACCOUNTING PRONOUNCEMENTS

There were no recent accounting pronouncements applicable to the Company.

OFF-BALANCE-SHEET ARRANGEMENTS

The Company has no off-balance-sheet transactions that have, or are reasonably likely to have, a current or future effect on the Company’s financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The information to be reported under this item is not required of smaller reporting companies.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The information to be reported under this item is not required of smaller reporting companies.

Item 4T. CONTROLS AND PROCEDURES

(a) DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, including its Principal Executive Officer and Principal Financial Officer, has evaluated the design, operation, and effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"). There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon the evaluation performed by the Company's management, including its Principal Executive Officer and Principal Financial Officer, it was determined that, as of the end of the period covered by this quarterly report, the Company's disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed in the reports filed or submitted pursuant to the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to the Company's management, including its Principal Executive Officer and Principal Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding disclosures.

(b) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's Principal Executive Officer and Principal Financial Officer have determined that, during the period covered by this quarterly report, there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. They have also concluded that there were no significant changes in the Company's internal controls after the date of the evaluation.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

NONE

ITEM 1A. RISK FACTORS

The information to be reported under this item is not required of smaller reporting companies.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

NONE

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

NONE

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NONE

ITEM 5. OTHER INFORMATION

NONE

ITEM 6. EXHIBITS

31.1 Certification of Kenneth H. Globus, President and Principal Executive Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Robert S. Rubinger, Chief Financial Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Kenneth H. Globus, President and Principal Executive Officer of the Company, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Robert S. Rubinger, Chief Financial Officer of the Company, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

UNITED-GUARDIAN, INC.
(Registrant)

By: /S/ KENNETH H. GLOBUS
Kenneth H. Globus
President

By: /S/ ROBERT S. RUBINGER
Robert S. Rubinger
Chief Financial Officer

Date: August 4, 2011