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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **May 17, 2010**

United-Guardian, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**001-10526**	**11-1719724**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

230 Marcus Boulevard, Hauppauge, New York 11788
(Address of principal executive offices)

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

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ]Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ]Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ]Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ]Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

On May 17, 2010 the Registrant entered into a Stock Purchase Agreement (the "Agreement") with Kenneth H. Globus, its President and largest stockholder, pursuant to which it agreed to acquire 350,000 shares of its common stock from Mr. Globus for a purchase price of $10.75 per share. On the same day, the Registrant issued a press release, a copy of which is attached

hereto as Exhibit 99.1 and is incorporated herein by reference, to announce the Agreement.

Item 9.01. Financial Statements and Exhibits.

Exhibit 10.1. Stock Purchase Agreement

Exhibit 99.1. Press release dated May 17, 2010

Exhibit 99.2. Fairness Opinion of Coady Diemar Partners, LLC

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

United-Guardian, Inc.

Date: May 17, 2010

By: /s/ KEN GLOBUS
Ken Globus
President

Exhibit Index

10.1	Stock Purchase Agreement
99.1	Press release dated May 17, 2010
99.2	Fairness Opinion of Coady Diemar Partners, LLC

EX-10 3 exh_101.htm EXHIBIT 10.1

Exhibit 10.1

STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT (this "Agreement") dated as of May 17, 2010 by and between **UNITED-GUARDIAN, INC.**, a Delaware corporation with an address at 230 Marcus Boulevard, Hauppauge, New York 11501 (the "Corporation"), and **KENNETH H. GLOBUS**, an individual residing at _________________________________ (the "Stockholder").

RECITALS

A. The Stockholder is the beneficial owner of 1,905,293 shares of common stock, $.10 par value, of the Corporation (the "Common Stock"), such shares constituting 38.5% of the outstanding shares of capital stock of the Corporation.

B. The Stockholder desires to sell, and the Corporation desires to purchase, 350,000 of such shares (the "Shares") pursuant to this Agreement.

Accordingly, the Corporation and the Stockholder agree as follows:

ARTICLE I

SALE OF SHARES

1.1 **Sale of Shares**. On the basis of the representations, warranties, covenants and agreements contained herein and subject to the satisfaction or waiver of the conditions set forth herein, the Stockholder agrees to sell, assign, transfer and deliver to the Corporation on the Closing Date (as defined below), and the Corporation agrees to purchase from the Stockholder on the Closing Date, the Shares.

1.2 **Price**. In full consideration for the purchase by the Corporation of the Shares, the Corporation shall pay to the Stockholder $10.75 per share or Three Million Seven Hundred Sixty-Two Thousand Five Hundred Dollars ($3,762,500) in the aggregate (the "Purchase Price"), payable in the following installments by wire transfer of immediately available funds to a bank account designated by the Stockholder.

1.2.1 $376,250 shall be payable contemporaneously with the execution of this Agreement, subject to the termination provisions of Article VII hereof; and

1.2.2 $3,386,250 (the "Purchase Price Balance") shall be paid at the Closing (as defined in Section 1.3).

1.3 **Closing**. The closing of the sale referred to in Section 1.1 (the "Closing") shall take place at the offices of Farrell Fritz, P.C. at such time and date as mutually agreed to by the

Stockholder and the Corporation. Such date is herein referred to as the "Closing Date".

1.4 **Corporation's Actions Following Execution**. Following the execution of this Agreement by the Corporation and by the Stockholder, the Corporation shall (i) file with the Securities and Exchange Commission (the “SEC”) within the mandated filing period a Current Report on Form 8-K to provide required disclosure with respect to this Agreement and the purchase of the Shares contemplated hereunder, and (ii) issue a press release regarding this Agreement and the purchase of the Shares contemplated hereunder, the content of which shall be mutually satisfactory to the Corporation and the Stockholder.

1.5 **Stockholder's Actions at Closing**. At the Closing, the Stockholder will deliver to the Corporation stock certificates representing all the Shares, duly endorsed or accompanied by documents of assignment sufficient to transfer legal and beneficial ownership of the Shares represented by the certificates to the Corporation.

1.6 **Corporation's Actions at Closing**. At the Closing, the Corporation will deliver the Purchase Price Balance to the Stockholder.

1.7 **Stockholder's Actions Following Closing**. The Stockholder shall file all required filings with the SEC to report the change in his beneficial ownership of shares of Common Stock, in each case within required time periods.

ARTICLE II

REPRESENTATIONS OF THE STOCKHOLDER

2. **Representations of the Stockholder**. The Stockholder represents and warrants to the Corporation as follows:

2.1 **Authority; Due Execution**. The Stockholder is a resident of the State of New York. The execution, delivery and performance by the Stockholder of this Agreement is within his legal right, power, capacity and authority. This Agreement is a valid and binding obligation of the Stockholder enforceable against the Stockholder in accordance with its terms, and has been duly authorized, executed and delivered by the Stockholder

2.2 **No Restrictions**. The execution, delivery and performance by the Stockholder hereof, the sale of the Shares to be sold by the Stockholder and the consummation by the Stockholder of the transactions contemplated herein will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Stockholder pursuant to, any indenture, mortgage, deed of trust, loan agreement or other

agreement or instrument to which the Stockholder is a party or by which the Stockholder is bound or to which any of the property or assets of the Stockholder is subject or (ii) result in the violation of any law or statute or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory agency

2.3 **Ownership of Shares**. The Stockholder is the lawful owner of the Shares free and clear of all liens, charges, security interests, options, encumbrances, mortgages, hypothecations, pledges, restrictions and claims of every kind. The Stockholder has full legal right, power and authority to sell, assign, transfer and convey the Shares pursuant to this Agreement. The delivery to the Corporation of the Shares pursuant to the provisions of this Agreement will transfer to the Corporation valid title thereto, free and clear of all liens, charges, security interests, options, encumbrances, mortgages, hypothecations, pledges, restrictions and claims of every kind except for any liens created by the Corporation.

2.4 **Litigation**. The Stockholder has neither knowledge nor information as to any action, suit, or proceeding at law or in equity by any person or entity, or any arbitration or any administrative or other proceeding by or before any governmental or other instrumentality or agency, pending or threatened against the Corporation or relating to the sale of the Shares.

2.5 **Compliance with Laws**. To the best of the Stockholder's knowledge or information, the Corporation is in compliance in all material respects with all applicable laws, regulations, orders, judgments and decrees except where the failure to so comply would not have a material adverse effect on the business or condition (financial or otherwise) of the Corporation taken as a whole.

2.6 **Broker's or Finder's Fees**. No agent, broker, person or firm acting on behalf of the Stockholder is, or will be, entitled to any commission or broker's or finder's fees from any of the parties hereto, or from any person controlling, controlled by or under common control with any of the parties hereto, in connection with any of the transactions contemplated herein.

2.7 **No Material Information**. As of the date hereof and as of the Closing Date, as the case may be, the sale of the Shares by the Stockholder is not and will not be prompted by any material information concerning the Company

ARTICLE III

REPRESENTATIONS OF THE CORPORATION

3. **Representations of the Corporation**. The Corporation represents and warrants as follows:

3.1 **Due Organization of the Corporation**. The Corporation is a corporation duly organized under the laws of the State of Delaware. The Corporation has the corporate power and

authority to make, execute, deliver and perform this Agreement and this Agreement has been duly authorized and approved by all required corporate action of the Corporation. This Agreement is a valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms.

3.2 **No Restrictions**. The execution and delivery of this Agreement by the Corporation and the consummation of the transactions contemplated hereby (a) will not violate any provision of the Certificate of Incorporation or By-Laws of the Corporation, (b) will not violate any statute, rule, regulation, order or decree of any public body or authority by which the Corporation or any of its properties is bound, and (c) will not result in a violation or breach of, or constitute a default under, any license, franchise, permit, indenture, agreement or other instrument to which the Corporation is a party, or by which the Corporation or any of its properties is bound, excluding from the foregoing clauses (b) and (c) violations, breaches or defaults which, either individually or in the aggregate, would not prevent the Corporation from performing its obligations under this Agreement or consummation of the transactions contemplated by this Agreement.

3.3 **Broker's or Finder's Fees**. No agent, broker, person or firm acting on behalf of the Corporation is, or will be, entitled to any commission or broker's or finder's fees from any of the parties hereto, or from any person controlling, controlled by or under common control with any of the parties hereto, in connection with any of the transactions contemplated herein.

ARTICLE IV

CONDITIONS TO THE CORPORATION'S OBLIGATIONS

4. **Conditions to the Corporation's Obligations**. The purchase of the Shares by the Corporation on the Closing Date is conditioned upon satisfaction of the conditions listed in Sections 4.1 and 4.2 hereof.

4.1 **Truth of Representations and Warranties**. The representations and warranties of the Stockholder contained in this Agreement shall be true and correct in all respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date.

4.2 **No Injunction**. No court or other government body or public authority shall have issued an order which shall then be in effect restraining or prohibiting the completion of the transactions contemplated hereby.

4.3 **Fairness Opinion**. Coady Diemar Partners, L.L.C. shall not have withdrawn or revised in any material manner its opinion letter dated May 17, 2010 as to the fairness of the Purchase Price to the Corporation from a financial point of view.

ARTICLE V

CONDITIONS TO THE STOCKHOLDER'S OBLIGATIONS

5. **Conditions to the Stockholder's Obligations**. The sale of the Shares by the Stockholder on the Closing Date is conditioned upon satisfaction of the conditions listed in Sections 5.1 and 5.2.

5.1 **Truth of Representations and Warranties**. The representations and warranties of the Corporation contained in this Agreement shall be true and correct in all respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date.

5.2 **No Injunction**. No court or other government body or public authority shall have issued an order which shall then be in effect restraining or prohibiting the completion of the transactions contemplated hereby.

ARTICLE VI

SURVIVAL; INDEMNIFICATION

6.1 **Survival**. The representations and warranties of the Stockholder and the Corporation in this Agreement and the covenants and agreements contained in Article VI shall survive the Closing.

6.2 **Indemnification by the Corporation**. The Corporation agrees to indemnify the Stockholder, against and hold the Stockholder harmless from any and all losses, liabilities, damages (including any governmental penalty or punitive damages), deficiencies, interest, costs and expenses and any actions, judgments, costs and expenses (including reasonable attorneys' fees and all other expenses incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened) incident to the enforcement of this Article VI (collectively, "Liabilities") arising out of the breach of any representation or warranty of the Corporation herein. No claim may be asserted nor may any action be commenced against the Corporation for breach of any representation or warranty contained herein, unless written notice of such claim or action is received by the Corporation describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim or action.

6.3 **Indemnification by the Stockholder**. The Stockholder agrees to indemnify the Corporation and its affiliates against and hold the Corporation harmless from any and all Liabilities

arising out of the breach of any representation or warranty of the Stockholder herein. No claim may be asserted nor any action commenced against the Stockholder for breach of any representation or warranty contained herein, unless written notice of such claim or action is received by the Stockholder describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim or action.

6.4 **Procedure for Claims**. The provisions of this Section 6.4 shall govern any claim for indemnification by the Corporation pursuant to Section 6.3 or by the Stockholder pursuant to Section 6.2 (each such indemnified party an "Indemnitee) against the party or parties required to provide indemnification hereunder (the "Indemnitor"). If any dispute or claim shall arise in respect of the enforcement or interpretation of Section 6.2 or 6.3, then the Indemnitee shall give written notice to the Indemnitor describing such dispute or claim in reasonable detail. The Indemnitee shall be entitled to give such notice prior to the establishment of the amount of its losses, damages and expenses and to supplement its claim from time to time thereafter by further notices as they are established. The Indemnitor shall respond to such claim for indemnification within 30 business days after receipt of the claim stating its acceptance or objection to the indemnification claim and explaining its position in respect thereto in reasonable detail. If the Indemnitor does not timely so respond, it will be deemed to have accepted the Indemnitee's indemnification claim as specified in the notice given by the Indemnitee. If the Indemnitor gives timely notice of acceptance or is otherwise deemed to have accepted the indemnification claim, it shall cure the matter giving rise to the claim to the sole satisfaction of the Indemnitee as promptly as possible. If the Indemnitor gives a timely objection notice, then the parties shall negotiate in good faith to attempt to resolve the dispute. Upon the expiration of 20 business days from the objection notice or such longer period as to which the Indemnitor and Indemnitee may agree, if the parties have not resolved their dispute, then such dispute shall be arbitrated before three arbitrators in the County of Suffolk, New York, in accordance with the then Commercial Rules of the American Arbitration Association. The award of the arbitrators shall be final, binding and conclusive on the parties. Judgment upon the award by the arbitrators may be entered in any court having jurisdiction. The costs of any such arbitration shall be paid as directed by the arbitrators and, to the extent not so directed, shall be shared equally by the parties. Any claim made hereunder by any Indemnities shall not be subject to any defense, set-off or counterclaim of the Indemnitor.

ARTICLE VII

TERMINATION

7.1 Termination Events. This Agreement may be terminated at any time prior to Closing as follows:

(a) by the Corporation if (i) the Stockholder is in breach of this Agreement and (ii) the Corporation is not in breach of this Agreement; or

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(b) by the Stockholder if (i) the Corporation is in breach of this Agreement and (ii) the Stockholder is not in breach of this Agreement.

Except as otherwise provided in Section 7.2, each party's right of termination hereunder is in addition to any of the rights it may have hereunder or otherwise.

7.2 Effect of Termination. In the event of the termination and abandonment of this Agreement pursuant to Section 7.1 hereof, this Agreement shall forthwith become void and have no further effect; provided no such termination of this Agreement shall release any party from liability for any breach hereof occurring prior to the date of termination. In the event of any termination pursuant to this Article VII, the Seller shall return the Deposit to the Purchaser.

ARTICLE VIII

MISCELLANEOUS

8 **Governing Law**. The interpretation and construction of this Agreement, and all matters relating hereto, shall be governed by the laws of the State of New York without reference to conflict of law principles.

8.1 **Jurisdiction**. Any judicial proceeding brought against any of the parties to this Agreement on any dispute arising out of this Agreement or any matter related hereto or thereto shall be brought in the United States Eastern District, if there exists subject matter jurisdiction in such court, or alternatively the Supreme Court of the State of New York, Suffolk County, and by execution and delivery of this Agreement each of the parties to this Agreement accepts for itself the exclusive jurisdiction of the aforesaid courts, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement.

8.2 **Captions**. The Article and Section captions used herein are for reference purposes only, and shall not in any way affect the meaning or interpretation of this Agreement.

8.3 **Notices**. Any notice or other communications required or permitted hereunder shall be sufficiently given if delivered in person or by registered or certified mail, postage prepaid, addressed as indicated above or such other address as shall be furnished in writing by any such party in accordance with this section.

8.4 **Assignment; Succession**. This Agreement may not be transferred, assigned, pledged or hypothecated by any party hereto. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

8.5 **Counterparts**. This Agreement may be executed in two or more counterparts each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

8.6 **Entire Agreement**. This Agreement, including the other documents referred to herein which form a part hereof, contains the entire understanding of the parties hereto with respect to the subject matter contained herein and therein. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

8.7 **Amendments**. This Agreement may be amended or modified, only by an agreement in writing signed by the Corporation and the Stockholder.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

UNITED-GUARDIAN, INC.

By: /s/ ROBERT S. RUBINGER
Name: Robert S. Rubinger
Title: Executive Vice President

/s/ KENNETH H. GLOBUS
Kenneth H. Globus

EX-99 4 exh_991.htm EXHIBIT 99.1

Exhibit 99.1

United-Guardian Announces Stock Repurchase

Board of Directors Approves the Repurchase of 350,000 Shares at a Discount From Ken Globus

HAUPPAUGE, N.Y., May 17, 2010 (GLOBE NEWSWIRE) -- United-Guardian, Inc. (Nasdaq:UG) today reported that its Board of Directors and its President and largest stockholder, Ken Globus, have reached agreement on the repurchase by the Company of 350,000 shares of Company stock owned by Mr. Globus. The block of shares, which represents approximately 7% of the total shares outstanding, is being acquired by the Company for consideration of $10.75 per share, which is a 13% discount to the weighted average closing share price for the 60 trading days prior to May 6, 2010, and a 12% discount to yesterday's closing share price. The shares being sold had been inherited by Mr. Globus last year from the founder of the Company, Alfred R. Globus, and are being sold by Mr. Globus for estate planning purposes. The purchase is expected to close in the next few weeks and is subject to customary closing conditions.

Following receipt by the Company of an informal proposal from Mr. Globus to sell some of his Company stock back to the Company, the Board of Directors formed a Special Committee of independent directors to determine a fair price and negotiate the terms of a sale with Mr. Globus. The Special Committee retained the investment banking services of Coady Diemar Partners, LLC, which provided a fairness opinion to the Special Committee stating that "the consideration proposed to be paid by the Company under the repurchase is fair from a financial point of view to the Company." The Special Committee recommended the transaction to the full Board of Directors, excluding Mr. Globus who had recused himself from the Board vote. Subsequently, the remaining Board members unanimously approved the transaction.

Arthur Dresner, Chairman of the Special Committee, stated that "United-Guardian's Board of Directors believes that this purchase represents a prudent use of a portion of the Company's cash and demonstrates the Board's confidence in the long-term potential for the Company. The Board and management continue to believe that the intrinsic value of the Company's shares exceeds the repurchase price. The transaction is expected to be accretive to the Company's earnings and is not expected to change the Company's current dividend payout policy."

The total transaction will require approximately $3.8 million and will come from the Company's cash and marketable securities balances, which, at March 31, 2010, exceeded $13.1 million. Robert Rubinger, the Company's Executive Vice President, commented, "After the completion of the transaction, the Company will still retain sufficient funds to cover its business requirements for the foreseeable future."

Mr. Globus concluded, "The sale of a portion of my inherited shares was solely for estate planning purposes. I remain the Company's largest stockholder and continue to be as dedicated as ever to the success of the Company."

United-Guardian is a manufacturer of cosmetic ingredients, personal and health care products, pharmaceuticals, and specialty industrial products.

The United-Guardian, Inc. logo is available at http://www.globenewswire.com/newsroom/prs/?pkgid=6000

NOTE: This press release contains both historical and "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements about the company's expectations or beliefs concerning future events, such as financial performance, business prospects, and similar matters, are being made in reliance upon the "safe harbor" provisions of that Act. Such statements are subject to a variety of factors that could cause our actual results or performance to differ materially from the anticipated results or performance expressed or implied by such forward-looking statements. For further information about the risks and uncertainties that may affect the company's business please refer to the company's reports and filings with the Securities and Exchange Commission.

CONTACT: United-Guardian, Inc.
Public Relations
Robert S. Rubinger
(631) 273-0900

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Exhibit 99.2

May 17, 2010

The Special Committee of the Board of Directors
United-Guardian, Inc.
230 Marcus Boulevard
P.O. Box 18050
Hauppauge, NY 11788

To the Members of the Special Committee of the Board of Directors:

Coady Diemar Partners, LLC (''Coady Diemar'', ''we'' or ''us'') understands that United-Guardian, Inc. (''United-Guardian'' or the ''Company'') is proposing to enter into an agreement to be dated the date hereof (the ''Agreement''), with Kenneth H. Globus, the Company's President, General Counsel and the Chairman of the Company's Board of Directors ("Mr. Globus'') pursuant to which the Company will purchase 350,000 shares of the Company's common stock held by Mr. Globus (the "Shares") in consideration for $10.75 cash per Share (the "Consideration") (the "Repurchase").

We also understand that the Company's board of directors (the ''Board of Directors'') has appointed a special committee of independent directors (the ''Special Committee'') to negotiate the terms of the purchase by the Company of the Shares, to consider the implications to the Company of the Repurchase and to make a recommendation to the Board of Directors concerning the Repurchase. Coady Diemar is pleased to confirm in writing the opinion delivered orally to the Special Committee of the Board of Directors of the Company at its meeting held on May 13, 2010.

Engagement of Coady Diemar

By letter agreement dated April 13, 2010 (the ''Engagement Agreement''), the Company retained Coady Diemar to act as the Special Committee's exclusive financial advisor in connection with the Repurchase. Pursuant to the Engagement Agreement, the Company has requested that we prepare and deliver to the Special Committee our written opinion (the ''Opinion'') as to the fairness to the Company, from a financial point of view, of the Consideration to be paid by the Company in conjunction with the Repurchase.

Coady Diemar will be paid a fee for rendering the Opinion. No portion of the fee is contingent on either any particular conclusion reached in this Opinion or whether the Repurchase is successfully executed. The Company has also agreed to reimburse Coady Diemar for its reasonable out-of-pocket expenses and to indemnify Coady Diemar in respect of certain liabilities that might arise out of its engagement.

1370 Avenue of the Americas, 27th Floor · New York, NY 10019 · (212) 901-2600 · Fax (212) 901-2611 · www.coadydiemar.com
Coady Diemar Partners is a registered broker / dealer with the U.S. Securities and Exchange Commission and a member of the National Association of Securities Dealers (NASD).

The Special Committee of the Board of Directors May 17, 2010
United-Guardian, Inc,

Credentials of Coady Diemar

Coady Diemar is an independent investment bank which provides strategic financial advisory and corporate finance services to clients worldwide. The Opinion expressed herein is the opinion of Coady Diemar. The form and content of the Opinion has been approved for release by a committee of Coady Diemar's managing directors, each of whom is experienced in merger, acquisition, divestiture and valuation matters.

Coady Diemar, as part of its investment banking business, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, private placements and related financings, bankruptcy reorganizations and similar recapitalizations, and valuations for corporate and other purposes. Coady Diemar does not have and has not had any material relationships involving the payment or receipt of compensation between or among it, the Company, Mr. Globus or, to its knowledge, any of their respective affiliates during the last two years.

Scope of Review

In connection with rendering our Opinion, we have reviewed, analyzed and relied upon, among other things, the following:

i) a draft dated May 17, 2010 of the Agreement;

ii) the audited financial statements and management's discussion and analysis of United-Guardian for the fiscal years ended each December 31 of 2008 and 2009;

iii) the quarterly report, condensed unaudited financial statements and management's discussion and analysis of United-Guardian for the quarter ended March 31, 2010;

iv) the Definitive Proxy Statement of the Company relating to the annual meeting of shareholders held on May 12, 2010;

v) certain internal financial, operational, corporate and other information concerning United-Guardian that was prepared or provided by the management of the Company, including internal operating and financial projections prepared by management;

vi) trading statistics and selected financial information of United-Guardian, other selected public companies and comparable transactions considered by us to be relevant; and,

vii) such other information, analyses, investigations and discussions as we considered necessary or appropriate for the purposes of this Opinion.

In addition, we have participated in discussions with members of the senior management of United-Guardian regarding the Company's past and current business operations, financial conditions and future prospects. We have also participated in discussions with Farrell Fritz, P.C., legal counsel to the Company and the Special Committee, regarding the Repurchase, the Agreement and other related matters.

Our Opinion as expressed herein reflects and gives effect to our general familiarity with the Company as well as information that we received during the course of this assignment, including information provided by the management of the Company in the course of discussions relating to this engagement. In arriving at our Opinion, we did not make or obtain any evaluations or appraisals of the assets or liabilities of the Company or conduct any analysis concerning the solvency of the Company.

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Coady Diemar Partners is a registered broker / dealer with the U.S. Securities and Exchange Commission and a member of the National Association of Securities Dealers (NASD).

Assumptions and Limitations

Our Opinion is subject to the assumptions, explanations and limitations set forth below.

We have not been asked to prepare and have not prepared a formal valuation or appraisal of any of the assets or securities of the Company and our Opinion should not be construed as such. Although we advised the Special Committee as to alternative transactions to the Repurchase, we have not been requested to pursue such alternatives.

With your permission, we have relied upon, and have assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions and representations obtained by us from public sources, or provided to us by the Company or its affiliates or otherwise obtained by us pursuant to our engagement, and our Opinion is conditional upon such completeness, accuracy and fair presentation. We have not been requested to or attempted to verify independently the accuracy, completeness or fairness of presentation of any such information, data, advice, opinions and representations. Without limiting the foregoing, we have not met with the Company's independent auditors and we have relied upon and assumed the accuracy and fair presentation of the Company's audited financial statements and the reports of the auditors thereon.

With respect to operating and financial forecasts provided to us concerning United-Guardian and relied upon in our analysis, we have assumed that they have been reasonably prepared in good faith on bases reflecting the most reasonable assumptions, and the best currently available estimates and judgments of management of the Company, relating to the Company's business, plans, financial condition and prospects. We assume no responsibility for and express no view or opinion as to such forecasts or the assumptions on which they are based.

We have also assumed that all of the representations and warranties contained in the Agreement are correct as of the date hereof, that the Repurchase will be completed substantially in accordance with the terms of the draft of the Agreement dated May 17, 2010 and all applicable laws, that the public disclosures and public filings relating to the Repurchase will disclose all material facts relating to the Repurchase and that such filings will satisfy all applicable legal requirements. For the purposes of our opinion, we have assumed with your consent that all governmental, regulatory or other consents necessary for the consummation of the Repurchase as contemplated by the Agreement will be obtained without any material adverse effect on the Company. In addition, we express no opinion as to the trading price of the securities of any company (including the Company) in the future.

The Company has represented to us that as of the date hereof, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its affiliates since March 31, 2010, which would reasonably be expected to have a material effect on the Opinion.

We have not acted as an advisor to the Company or the Special Committee as to, and we express no opinion on, any legal, tax, accounting or regulatory matters in any jurisdiction, and we understand the Company has obtained such advice as it has deemed necessary from qualified professionals regarding such matters. We have relied, with the Company's consent, on the assumptions of the Company's management, as to all accounting, legal, tax and financial reporting matters with respect to the Company, the Agreement and the Repurchase.

Our Opinion is rendered on the basis of securities markets, economic and general business and financial conditions prevailing as at the date hereof and the conditions and prospects, financial and otherwise, of the Company as they are reflected in the information in our scope of review and as they were represented to us in our discussions with management of the Company. In our analyses and in connection with the preparation of our Opinion, we made numerous assumptions with respect to industry performance, general business, capital markets and economic conditions and other matters, many of which are beyond the control of any party involved in the Repurchase. Subsequent developments may affect the conclusions expressed in this Opinion and we assume no responsibility for advising any person or entity of any change in any matter affecting this Opinion or for updating or revising our Opinion based on circumstances or events occurring after the date hereof.

The Opinion has been provided at the request and for the information of the Special Committee of the Board of Directors for their exclusive use only in considering the Repurchase and may not be quoted, referred to, used or relied upon by any other person, or for any other purpose or published without the prior written consent of Coady Diemar, except as specifically provided in the Engagement Agreement.

Our Opinion does not constitute a recommendation as to any action the Special Committee, the Board of Directors or any holder of the Company's shares should take in connection with the Repurchase or any aspect thereof. Our Opinion relates solely to the fairness, as of the date hereof, from a financial point of view, of the Consideration proposed to be paid by the Company under the Repurchase. We express no opinion herein as to the structure, terms or effect of any other aspect of the Repurchase, the merits of the underlying decision of the Company to consummate the Repurchase, any other actions taken or proposed to be taken by the Company in connection with the Repurchase, or any other transactions or business strategies discussed by the Special Committee of the Board of Directors of the Company as alternatives to the Repurchase.

The Opinion is given as of the date hereof and, although we reserve the right to change or withdraw the Opinion if we learn that any of the information that we relied upon in preparing the Opinion was inaccurate, incomplete or misleading in any material respect, we disclaim any obligation to change or withdraw the Opinion, to advise any person of any change that may come to our attention or to update the Opinion after today.

Opinion

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Consideration proposed to be paid by the Company under the Repurchase is fair, from a financial point of view, to the Company.

Yours very truly,

/s/ J. Brian Mullen

/s/ Coady Diemar Partners