

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1999

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 01-21617

THE QUIGLEY CORPORATION  
(Exact name of registrant as specified in its charter)

Nevada

23-2577138

-----  
(State or other jurisdiction (IRS Employer Identification No.)  
of incorporation or organization)

(MAILING ADDRESS: PO Box 1349, Doylestown, PA 18901.)

Landmark Building, 10 South Clinton Street, Doylestown, PA 18901

(Address of principle executive offices) (Zip Code)

Registrant's telephone number, including area code: (215) 345-0919  
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate the number of shares outstanding of each of the issuer's class of common stock, as of the latest practicable date. The number of shares outstanding of each of the registrant's classes of common stock, as of April 16, 1999, was 11,375,616 all of one class of \$.0005 par value common stock.

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THE QUIGLEY CORPORATION  
BALANCE SHEETS

ASSETS

	March 31, 1999 (unaudited)	December 31, 1998
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	\$23,692,834	\$28,331,765
Accounts receivable, net	2,589,294	7,575,366
Inventory	6,667,121	6,522,612
Prepaid income taxes	4,327,872	2,565,321
Prepaid expenses and other current assets	1,316,253	1,635,099
Deferred income taxes	408,868	397,489
	-----	-----
TOTAL CURRENT ASSETS	39,002,242	47,027,652
	-----	-----
PROPERTY, PLANT AND EQUIPMENT		
- Less accumulated depreciation	1,034,936	1,041,386
	-----	-----
OTHER ASSETS:		
Patent rights - Less accumulated amortization	263,284	285,224
Other assets	289,412	256,382
	-----	-----
TOTAL OTHER ASSETS	552,696	541,606
	-----	-----
TOTAL ASSETS	\$40,589,874	\$48,610,644
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	\$64,952	\$758,033
Accrued royalties and sales commissions	905,390	2,085,446
Accrued advertising	1,839,169	561,266
Other current liabilities	582,913	598,422
	-----	-----
TOTAL CURRENT LIABILITIES	3,392,424	4,003,167
	-----	-----

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY:		
Preferred stock, \$.01 par value; authorized 1,000,000; no shares issued	-	-
Common stock, \$.0005 par value; authorized 50,000,000; Issued: 14,589,058 and 14,409,058 shares	7,295	7,205
Additional paid-in capital	28,802,563	28,207,208

Retained earnings	24,794,241	26,649,455
Less: Treasury stock, 2,804,546 and 1,665,022 shares, at cost	(16,406,649)	(10,256,391)
TOTAL STOCKHOLDERS' EQUITY	37,197,450	44,607,477
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$40,589,874	\$48,610,644

See accompanying notes to financial statements

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THE QUIGLEY CORPORATION  
STATEMENTS OF INCOME  
(Unaudited)

	Three Months Ended March 31, 1999	Three Months Ended March 31, 1998
NET SALES	\$6,136,902	\$7,271,819
COST OF SALES	2,052,650	2,211,296
GROSS PROFIT	4,084,252	5,060,523
OPERATING EXPENSES:		
Sales and marketing	6,011,413	2,373,522
Administration	1,470,864	994,046
TOTAL OPERATING EXPENSES	7,482,277	3,367,568
INCOME (LOSS) FROM OPERATIONS	(3,398,025)	1,692,955
INTEREST and OTHER INCOME	356,689	383,984
INCOME (LOSS) BEFORE TAXES	(3,041,336)	2,076,939
INCOME TAX EXPENSE (BENEFIT)	(1,186,122)	810,006
NET INCOME (LOSS)	(\$1,855,214)	\$1,266,933
Earnings per common share:		
Basic	(\$0.15)	\$0.10
Diluted	(\$0.15)	\$0.08
Weighted average common shares outstanding:		
Basic	12,279,450	13,325,913
Diluted	12,279,450	15,296,819

See accompanying notes to financial statements

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THE QUIGLEY CORPORATION  
STATEMENTS OF CASH FLOWS  
(Unaudited)

	Three Months Ended March 31, 1999	March 31, 1998
	-----	-----
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$942,827	\$6,822,839
	-----	-----
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Capital expenditures	(24,278)	(77,718)
Patent rights and other assets	(33,030)	(963)
	-----	-----
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(57,308)	(78,681)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Tax benefits from stock options, warrants and common stock	250,808	1,268,278
Proceeds from exercises of options and warrants	375,000	299,624
Repurchase of Common stock	(6,150,258)	(1,466,905)
	-----	-----
NET CASH FLOWS FROM FINANCING ACTIVITIES	(5,524,450)	100,997
	-----	-----
NET INCREASE (DECREASE) IN CASH	(4,638,931)	6,845,155
CASH & CASH EQUIVALENTS, BEGINNING OF PERIOD	28,331,765	25,498,359
	-----	-----
CASH & CASH EQUIVALENTS, END OF PERIOD	\$23,692,834	\$32,343,514
	=====	=====

See accompanying notes to financial statements

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THE QUIGLEY CORPORATION  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATIONAL AND GENERAL

The Quigley Corporation (the "Company"), organized under the laws of the state of Nevada, is primarily engaged in the development, manufacturing, and marketing of health products that include homeopathic cold remedies. The products developed are being offered to the general public. For the fiscal periods presented, the Company's proprietary "Cold-Eeze (R)" products contribute the majority of revenues and profits.

In the last half of 1998, the Company launched Cold-Eeze(R) in a sugar free version of the product to benefit diabetics and other consumers concerned with their sugar intake. Late in the fourth quarter of 1998, the Company launched a bubble gum version of Cold-Eeze(R) and in a different therapeutic area, an all-natural nutrition and weight management program called Bodymate TM.

Cold-Eeze(R) products are based upon a proprietary zinc gluconate glycine formula which, in two double blind studies have been shown to reduce the severity and duration of common cold symptoms by nearly half. The results of the latest randomized double-blind placebo-controlled study of the common cold were published in 1996 in the Annals of Internal Medicine - Vol. 125 No 2. Research is continuing on this product in order to maximize its full potential use by the general public.

The Company has an exclusive agreement for worldwide representation, manufacturing, marketing and distribution rights for the zinc gluconate glycine lozenge formulation, known as "Cold-Eeze(R)", which is patented in the United States, United Kingdom, Sweden, France, Italy, Canada, Germany, and pending in Japan. In 1996, the Company also acquired exclusive license for a United States zinc gluconate use patent number RI 33,465 from the patent holder. This use patent gives the Company exclusive rights to both the use and formulation patents on zinc gluconate for reducing the duration and severity of common cold symptoms.

The business of the Company is subject to federal and state laws and regulations adopted for the health and safety of users of the Company's products. Cold-Eeze(R) is a homeopathic remedy that is subject to regulations by various federal, state and local agencies, including the FDA and the Homeopathic Pharmacopoeia of the United States.

The Company competes with suppliers varying in range and size in the cold remedy products arena. Cold-Eeze(R) which has been clinically proven, offers a significant advantage over other suppliers in the over-the-counter cold remedy market. The management of the Company believes there should be no future impediment on the ability to compete in the marketplace now, or in the immediate future, since factors concerning the product, such as, price, product quality, availability, reliability, credit terms, name recognition, delivery and support are all properly positioned. The Company has several Broker, Distributor and Representative Agreements, both nationally and internationally and the product is distributed through numerous independent and chain drug and discount stores throughout the United States. During 1998, the Company commenced international sales to Canada and the Peoples' Republic of China.

The Company continues to use the resources of independent national and international brokers to represent the Company's Cold-Eeze(R) and Bodymate TM products, thereby saving capital and other ongoing expenditures that would otherwise be incurred.

Different manufacturing sources are used for the production of the Cold-Eeze(R) bubble gum and sugarfree products and the same manufacturer produces the Cold-Eeze(R) lozenge and Bodymate TM products. In addition, the lozenge and Bodymate TM manufacturer commenced manufacturing exclusively for the Company in 1997.

The Balance Sheet as at March 31, 1999, the Statements of Income for the three months periods ended March 31, 1999 and 1998, and the Statements of Cash Flows for the three months periods ended March 31, 1999 and 1998, have been prepared without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and cash flows, for the periods indicated, have been made. All adjustments made were of a normal recurring nature.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the financial statements and accompanying notes for the fiscal year ended December 31, 1998, in the Company's Form 10-K.

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#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Reclassifications

Certain prior period amounts have been reclassified to conform with 1999 presentation.

##### International Licenses

Included in other assets, are amounts that have been capitalized relating to the Company's development of international licenses. Such amounts are to be amortized using the straight-line method over the estimated benefit period. These costs will be expensed should future benefits become impaired.

##### Concentration of Risks

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and trade accounts receivable.

The Company maintains cash and cash equivalents with three major financial institutions. Since the Company maintains amounts in excess of guarantees provided by the Federal Depository Insurance Corporation, the Company performs periodic evaluations of the relative credit standing of these financial institutions and limits the amount of credit exposure with any one institution.

The Company currently uses three separate suppliers to produce Cold-Eeze(R) in lozenge, bubble gum, and sugar free tablet form. The Bodymate TM product and the Cold-Eeze(R) lozenge is manufactured by a third party manufacturer that produces exclusively for the Company. Substantially all of the Company's revenues are currently generated from the sale of the Cold-Eeze(R) lozenge product. The other forms are manufactured by third parties that produce a variety of other products for other customers. Should these relationships terminate or discontinue for any reason, the Company has formulated a contingency plan in order to prevent such discontinuance from materially affecting the Company's operations. Any such termination may, however, result in a temporary delay in production until the replacement facility is able to meet the Company's production requirements.

Raw material used in the production of the product is available from numerous sources. Currently, it is being procured from a single vendor in order to secure purchasing economies. In a situation where this one vendor is not able to supply the contract manufacturer with the ingredients, other sources have been identified.

#### Business Segments and Related Information

Statement of Financial Accounting Standard ("SFAS") No. 131, "Disclosure about Segments of an Enterprise and Related Information," require public companies to report certain information about operating segments within their financial statements. The Company had international sales in the second and third quarters of 1998 and the first quarter of 1999, the resulting revenues are not considered material. During the remainder of 1999, the Company expects further international activities that may require additional disclosures in compliance with the requirements of the Standard.

#### NOTE 3 - TRANSACTIONS AFFECTING STOCKHOLDERS' EQUITY

In April 1999, the Company's Board of Directors announced an increase to the stock buy-back program to re-acquire up to 1,000,000 additional shares of the Company's issued and outstanding common shares. The schedule and amount of shares re-purchased will be based upon market conditions. Since the inception of the buy-back program in January 1998, the Board has subsequently increased the authorization on three occasions, including this one for a total authorized buy-back of 3,750,000 shares or 28.2% of the previous shares outstanding. Such shares are reflected as treasury stock and will be available for general corporate purposes.

In the period from January 1, 1999 to April 16, 1999, 1,558,420 shares have been repurchased at a cost of \$8,342,467 or an average cost of \$5.35 per share.

At March 31, 1998, there were 4,170,400 unexercised options and warrants of the Company's stock.

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#### NOTE 4 - INCOME TAXES

Income taxes include both deferred and currently payable taxes. Deferred income taxes result from "temporary differences" which consist of a different tax base for assets and liabilities than their reported amounts in the financial statements. The deferred tax asset of \$408,868 consists of the tax effects for contract termination costs and miscellaneous items. Certain exercises of options and warrants during the three months period ended March 31, 1999, resulted in reductions to taxes currently payable and a corresponding increase to additional paid-in-capital totaling \$250,808.

For the three months ended March 31, 1999 and fiscal year ended December 31, 1998 an effective tax rate of 39% has been provided for both income tax expense and tax benefits expected to be realized.

#### NOTE 5 - EARNINGS PER SHARE

Basic earnings per share ("EPS") excludes dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Diluted EPS also utilizes the treasury stock method that prescribes a theoretical buy-back of shares from the theoretical proceeds of all options and warrants outstanding during the period. Since there is a large number of options and warrants outstanding, fluctuations in the actual market price can have a varying of results for each period presented.

A reconciliation of the applicable numerators and denominators of the income

statement periods presented is as follows (millions, except earnings per share amounts):

	Three Months Ended March 31, 1999			Three Months Ended March 31, 1998		
	Income	Shares	EPS	Income	Shares	EPS
Basic EPS	(\$1.9)	12.3	(\$0.15)	\$1.3	13.3	\$0.10
Dilutives:						
Options/Warrants	-	-		-	2.0	
Diluted EPS	(\$1.9)	12.3	(\$0.15)	\$1.3	15.3	\$0.08

NOTE 6 - RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company has sales brokerage arrangements with entities whose major shareholders are also shareholders of The Quigley Corporation, or are related to major shareholders of the Company. Commissions expensed under such arrangements amounted to approximately \$111,321 and \$107,201 respectively, for the three months periods ended March 31, 1999 and 1998. Management believes these transactions were under terms no less favorable to the Company than those arranged by other parties. Amounts payable under such agreements at March 31, 1999 and December 31, 1998 were approximately \$61,541 and \$70,634 respectively.

The Company is in the process of acquiring licenses in certain countries through affiliated entities. For the three months periods ended March 31, 1999 and 1998, fees have been paid to a related entity to obtain such licenses amounting to \$10,000 and \$0.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The Company maintains certain royalty and founders commission agreements with the developers, licensors, founders, and consultants for the Cold-Eeze(R) products. These payments are 13% of sales collected less certain deductions. Of this percentage a three percent royalty of sales collected less certain deductions is payable to the patent holder whose agreement expires in 2002, a three percent royalty of sales collected less certain deductions is payable to the developer of the product formulation together with a two percent consulting fee based on an agreement that expires in 2007. Additionally, a founder's commission totaling 5% of sales collected less certain deductions, which is shared by two of the officers whose agreements expire in 2005.

The Company has remaining contractual commitments for advertising amounting to approximately \$13,900,000.

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In September 1998, the Company increased to \$10 million its revolving line of credit facility with Commerce Bank, N.A. for general corporate purposes. This facility is collateralized by accounts receivable and inventory and renews in September 1999, with interest at prime or 275 basis points above the Euro-Dollar Rate. There were no borrowings under this line during the period ended March 31, 1999 or 1998.

The Company is subject to legal proceedings and claims which have arisen in the ordinary course of its business. Although there can be no assurance as to the ultimate disposition of these matters, it is the opinion of the Company's management based upon the information available at this time, that the expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on the financial position, results of operations or cash flows of the Company.

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

In addition to historical information, this Report contains forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to management of growth, competition, pricing pressures on the Company's product, industry growth and general economic conditions. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. The Company undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements. The Company is subject to a variety of additional risk factors more fully described in the Company's annual report on Form 10-K filed with the Securities and Exchange Commission.

Overview

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The three months period ended March 31, 1999 resulted in a comparative slow down in revenues over the same period in 1998. Revenues for the three months periods ended March 31, 1999 and 1998 were \$6,136,902 and \$7,271,819 respectively. The winter conditions throughout the United States during 1998 continued into the first quarter of the 1999 cold season, which have been less severe than normal, resulting in the reduced sell-through of Cold-Eeze(R) by the retailers. Additionally, sales were lower because the Company is experiencing a shift in wholesale buying patterns of its customers from the first to the third and fourth quarters of the year, along with new herbal cold treatments promulgated through national news media announcements. Shifting to the third and fourth quarters results in having an ample supply of Cold-Eeze(R) on hand by the retailers for the cold season, which normally peaks in mid December to mid January, then drops off dramatically until the end of March.

In conjunction with the foregoing change of sales patterns, the low consumer awareness of Cold-Eeze(R) (approximately 6% of US households), and to offset the magnitude of "free press" given to Cold-Eeze(R) in its launch year of 1997, a substantial investment in advertising, initiated in 1998, for brand awareness and building for the future, was continued in the first quarter of 1999 that approximates \$5.6 million. This investment through extensive advertising in the products of the Company during the period of shifting buying patterns, which also is extensive support of the retailers selling Cold-Eeze(R) to the consumers, resulted in a net loss to the Company of \$1,855,214 for the quarter ended March 31, 1999 as compared to a profit of \$1,266,933 for the quarter ended March 31, 1998.

In the last half of 1998, the Company launched Cold-Eeze(R) in a sugar free version of the product to benefit diabetics and other consumers concerned with their sugar intake. Late in the fourth quarter, the Company launched a bubble gum version of Cold-Eeze(R) and in a different therapeutic area, an all-natural nutrition and weight management program called Bodymate TM.

The Company continues to use the resources of a contract manufacturer and independent national and international brokers to represent the Company's Cold-Eeze(R) and Bodymate TM products, thereby saving capital and other ongoing expenditures that would otherwise be incurred.

Different manufacturing sources are used for the production of the Cold-Eeze(R) bubble gum and sugarfree products with the same manufacturer producing the Cold-Eeze(R) lozenge and Bodymate TM products. In addition, the lozenge and Bodymate TM manufacturer commenced manufacturing exclusively for the Company in 1997, thereby increasing their output and the availability of the product. All three manufacturing sites have the capacity to respond quickly to market requirements.

Manufacturing efficiencies and contract commitments introduced in the first quarter 1997 continue to result in increased product availability, thereby ensuring that domestic and future international product demand can be met.

Results of Operations

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Three months ended March 31, 1999 compared to three months ended March 31, 1998

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For the three months ended March 31, 1999, the Company reported revenues of \$6,136,902 and a net loss of \$1,855,214 as compared to revenue of \$7,271,819 and net income of \$1,266,933 for the comparable period ended March 31, 1998. The reduction in revenue is due to the mild winter conditions throughout the United States that commenced in 1998 and continued with the 1999 cold season being less severe than usual. This results in the retailers carrying higher inventory levels than normal for this time of year. Also it has become apparent that there is a shift in the buying patterns of the retailers away from the first quarter to the third and fourth quarters of the year, along with new



herbal cold treatments promulgated through national news media announcements, which resulted in reduced sales during 1999, as compared to the same period in 1998.

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The Cost of Sales as a percentage of net sales for the three months ended March 31, 1999 was 33.4% compared to 30.4% for the comparable period ended March 31, 1998. The increased cost is largely attributable to the higher costs associated with a one time re-packaging charge, international sales, changes in the product configuration, and sales mix that now includes Cold-Eeze(R) in a sugarfree, and bubble gum form and Bodymate TM, which were introduced in the latter part of 1998.

For the three months ended March 31, 1999, total operating expenses were \$7,482,277 compared to \$3,367,568 for the comparable period ended March 31, 1998. The operating expenses have remained high, primarily due to a continuing advertising and promotion campaign to establish Cold-Eeze(R) as a recognized brand name, since the promulgation by the national news media has shifted to herbal treatments as another remedy in treating the common cold and to support and expand the sales base. Additionally, during the first quarter of 1999, the Company is continuing to build awareness for the sugarfree and bubblegum form of Cold-Eeze(R) together with the new weight management program called Bodymate TM which were launched in late 1998.

During the three months ended March 31, 1999, the major operating expenses of delivery, salaries, brokerage commissions, promotion, advertising, and legal costs accounted for \$6,731,161 (90%) of total operating costs. The remaining items for this period remained relatively fixed in that they do not follow sales trends. These same expense categories for the comparable period in 1998 accounted for \$2,925,621 (87%) of total operating costs. As a percentage of sales, the 1999 first quarter operating expenses assume a higher percentage compared to the same period in 1998 due to higher expenditure for advertising in order to support the Cold-Eeze(R) lozenge product and additionally to effectively market and support the recently launched bubblegum and sugarfree versions of the product and also, Bodymate TM.

#### Liquidity and Capital Resources

The total assets of the Company at March 31, 1999 and December 31, 1998 were \$40,589,874 and \$48,610,644 respectively. Working capital decreased to \$35,609,818 from \$43,024,485 during the period. The significant movement within total assets represents the reduction in accounts receivable of \$4,986,072, cash and cash equivalents decreasing by \$4,638,931, prepaid income taxes increasing by \$1,762,551, prepaid expenses and other current assets decreasing by \$318,846 and inventory increasing by \$144,509. From a working capital perspective, accounts payable, accrued royalties and sales commissions were reduced over the period by \$693,081 and \$1,180,056 respectively while the advertising accrual increased by \$1,277,903. Total cash balances at March 31 1999 were \$23,692,834, as compared to \$28,331,765 at December 31, 1998.

The management of the Company currently believes that the current liquidity and continuing revenues, along with related profits generated, for the remainder of 1999, should provide an internal source of capital to fund the Company's business operations. Additionally, in September 1998 the Company increased its revolving line of credit with Commerce Bank, N.A. to \$10 million to be used for general corporate purposes. This facility is collateralized by accounts receivable and inventory, and renews in September 1999, with interest accruing at the Wall Street Journal prime rate, or 275 basis points above the Euro-Dollar Rate, each to move with the respective base rate. There were no borrowings under this line during the three-month period ended March 31, 1999.

In April 1999, the Company's Board of Directors announced an increase to the stock buy-back program to re-acquire up to 1,000,000 additional shares of the Company's issued and outstanding common shares. The schedule and amount of shares re-purchased will be based upon market conditions. Since the inception of the buy-back program in January 1998, the Board has subsequently increased the authorization on three occasions, including this one for a total authorized buy-back of 3,750,000 shares or 28.2% of the previous shares outstanding. Such shares are reflected as treasury stock and will be available for general corporate purposes.

Management is not aware of any trends, events or uncertainties that have or are reasonably likely to have a material negative impact upon the Company's (a) short term or long term liquidity, (b) net sales or revenues or income from continuing operations. Any challenge to the Company's patent rights could have a material adverse effect on future liquidity of the Company. However, the Company is not aware of any condition that would make such an event probable.

## Capital Expenditures

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Since the Cold-Eeze(R) and Bodymate TM products are manufactured for the Company by an outside source, capital expenditures during 1999 are not anticipated to be material. During the remainder of 1999, the Company expects to incur costs approximating \$800,000 in order to complete the establishment of a Company owned corporate office building.

(11)

## Year 2000 Compliant

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The Year 2000 issue relates to the way the computer systems and programs define calendar dates; they could fail or make miscalculations due to interpreting a date including "00" to mean 1900, not 2000. Also, many systems and equipment that are not typically thought of as "computer-related" (referred to as "non-IT") contain embedded hardware or software that may have a time element.

The Company began work on the Year 2000 compliance issue in the later part of 1996. The scope of the project includes: ensuring the compliance of all applications, operating systems and hardware on the Company's computer network; addressing issues to non-IT embedded software and equipment; and addressing the compliance of key business partners.

The project has four phases; assessment of the systems and equipment affected by the Year 2000 issue; definition of strategies to address affected systems and equipment; remediation of affected systems and equipment; and certification that each is Year 2000 compliant. To certify that all IT systems (internally developed, purchased, or licensed) are Year 2000 compliant, each system is tested using a standard testing methodology which includes regression testing, millennium testing, millennium leap year testing and cross over year testing. Certification testing is performed on each system as soon as remediation is completed.

The most significant category of key business partners is financial institutions. Their critical functions include safeguarding and management of investment portfolios, processing of the Company's operating bank accounts, sales and distribution funds transfers. Other partner categories include suppliers of communication services, utilities, materials and supplies. Based on the importance of each relationship, the Company is defining a strategy to determine compliance.

The target for completion of all phases is the third quarter of 1999. The Company has completed the assessment and strategy phases for its computer PC applications, operating systems and hardware.

The majority of the Company's non-IT related systems and equipment are currently Year 2000 compliant, based primarily on verbal or written communication with vendors. Compilation of written documentation regarding compliance is underway and is scheduled to be completed by the third quarter of 1999. With respect to key business partners, the assessment and strategy phases are in the preliminary stages, with the Company in the process of compiling a compliance list. The Company has and continues to conduct surveys of all its software and hardware vendors, and testing is underway.

For business partners with whom the Company engages in electronic transfer of information, sample testing is and will be conducted until full compliance is achieved.

The Company has investments with financial institutions and could in the future have loans. The Company may be exposed to credit risk to the extent that related borrowers are materially adversely impacted by the Year 2000 issue.

The Company has not had an independent review of its Year 2000 risk or estimates. However, experts have been engaged to assist in developing estimates and to complete remediation work on specific portions of the project.

Since the inception of the project, the Company has not incurred any material external cost with respect to the Year 2000 issue. Internal cost and current estimates based on actual experience to date, project a total expense for the project of less than \$60,000. To date, costs of \$40,000 have been incurred. The remaining internal cost is not expected to exceed beyond the cost of normal operating expenses. Current year costs are expensed as those costs are incurred. There has not been a material adverse impact on the Company's operations or financial condition as a result of IT projects caused by the Year 2000 project.

With respect to contingency plans for critical systems, the Company has long recognized that there is no viable alternative if these systems are non-compliant. Certification of these systems as compliant remains on schedule. For non-IT systems and equipment and key business partners, the Company will continue to reassess the need for formal contingency plans, based on progress of the Year 2000 efforts by the Company and third parties.

Although the Company's critical systems are Year 2000 compliant, there is no guarantee that compliance by third parties whose systems and operation impact the Company will be completed by the end of 1999. A reasonably possible worst case scenario might include one or more of the Company's key business partners being non-compliant. Such an event could result in a material disruption of the Company's operations. Specifically, the Company could experience an interruption in its ability to collect and process receipts, broadcast commercial advertising, safeguard and manage its invested assets and operating cash accounts, accurately maintain customer information, accurately maintain accounting records, and/or perform adequate customer service. Should the worst case scenario occur, it could, depending on its duration, have a material impact on the Company's results of operations and financial position.

(12)

Item 3: Quantitative and Qualitative Disclosure about Market Risk

Not Applicable

Part II. Other Information  
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Item 1. Legal Proceedings  
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The Company is subject to legal proceedings and claims which have arisen in the ordinary course of its business. Although there can be no assurance as to the ultimate disposition of these matters, it is the opinion of the Company's management based upon the information available at this time, that the expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on the financial position, results of operations or cash flows of the Company.

Item 2. Changes in Securities  
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None

Item 3. Defaults Upon Senior Securities  
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None

Item 4. Submission of Matters to a Vote of Security Holders  
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None

Item 5. Other Information  
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None

Item 6. Exhibits and Reports on Form 8-K  
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(a) Exhibits

Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K

There were no Current Reports on Form 8-K filed during the quarter ended March 31, 1999.

(13)

SIGNATURES

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

THE QUIGLEY CORPORATION

By: /s/ George J. Longo  
-----  
George J. Longo  
Vice President, Chief Financial Officer

Date: May 5, 1999

<TABLE> <S> <C>

<ARTICLE> 5  
<CIK> 0000868278  
<NAME> E.Kaytes  
<MULTIPLIER> 1  
<CURRENCY> U.S. DOLLARS

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