UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

AMENDMENT NO. 2 ON

FORM 8-K/A

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

Date of Report (Date of earliest event reported) October 1, 2004

THE QUIGLEY CORPORATION
(Exact Name of Registrant as Specified in Charter)

| Nevada | 0-21617 | 23-2577138 |
| --- | --- | --- |
| (State or Other Jurisdiction of Incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

Kells Building, 621 Shady Retreat Road, P.O. Box 1349, Doylestown, PA 18901
(Address of Principal Executive Offices) (Zip Code)

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

N/A
(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 (see General Instruction A.2. below):

|_| 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))

This Amendment No. 2 amends the Current Report on Form 8-K of The Quigley Corporation (the "Company") filed with the Securities and Exchange Commission (the "SEC") on October 7, 2004, as amended by Amendment No. 1 on Form 8-K/A filed with the SEC on December 17, 2004 (the "October 8-K"), related to the closing of the Company's acquisition of substantially all of the assets of JoEl, Inc. This Form 8-K/A amends the October 8-K to update the financial statements required by Items 9.01(a) and 9.01(b) of Form 8-K and to include exhibits under Item 9.01(c) of Form 8-K. The information previously reported in the October 8-K is hereby incorporated by reference into this Form 8-K/A.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements of Businesses Acquired.

The Independent Auditor's Report is hereby incorporated by reference to Exhibit 99.1 hereto.

The audited balance sheet of JoEl, Inc. as of December 31, 2003 and the statement of operations and retained earnings, statement of comprehensive income and statement of cash flows of JoEl, Inc. for the fiscal year ended December 31, 2003, and the notes related thereto, are hereby incorporated by reference to Exhibit 99.2 hereto.

The unaudited balance sheet as of September 30, 2004 and the audited balance sheet as of December 31, 2003 of JoEl, Inc. and the unaudited statements of operations, statements of comprehensive income and statements of cash flows for the nine month periods ended September 30, 2004 and September 30, 2003, and the notes related thereto, are hereby incorporated by reference to Exhibit 99.3 hereto.

(b) Pro Forma Financial Information.

The following information is attached hereto as Exhibit 99.4 and incorporated herein by reference:

(i) Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet as of September 30, 2004.

(ii) Unaudited Pro Forma Condensed Combined Consolidated Statements of Operations for the year ended December 31, 2003 and the nine months ended September 30, 2004.

(iii) Notes to the Unaudited Pro Forma Condensed Combined Consolidated Financial Statements.

(c) Exhibits.

| Exhibit No. | Description |
|---|---|
| 23.1 | Consent of McKonly & Asbury, LLP, independent auditors. |
| 99.1 | Independent Auditor's Report. |
| 99.2 | The audited balance sheet of JoEl, Inc. as of December 31, 2003 and the statement of operations and retained earnings, statement of comprehensive income and statement of cash flows of JoEl, Inc. for the fiscal year ended December 31, 2003, and the notes related thereto. |
| 99.3 | The unaudited balance sheet as of September 30, 2004 and the audited balance sheet as of December 31, 2003 of JoEl, Inc. and the unaudited statements of operations, statements of comprehensive income and statements of cash flows for the nine month periods ended September 30, 2004 and September 30, 2003, and the notes related thereto. |
| 99.4 | Unaudited Pro Forma Condensed Combined Consolidated Financial Statements and the notes related thereto. |

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 hereunto duly authorized.

THE QUIGLEY CORPORATION
(Registrant)

Date: March 31, 2005

By: /s/ George J. Longo

Name: George J. Longo
Title: Vice President and Chief Financial Officer

# EXHIBIT INDEX

| Exhibit No. | Description |
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| 99.3 | The unaudited balance sheet as of September 30, 2004 and the audited balance sheet as of December 31, 2003 of JoEl, Inc. and the unaudited statements of operations, statements of comprehensive income and statements of cash flows for the nine month periods ended September 30, 2004 and September 30, 2003, and the notes related thereto. |
| 99.4 | Unaudited Pro Forma Condensed Combined Consolidated Financial Statements and the notes related thereto. |

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in Registration Statement Nos. 333-119748, 333-104148 and 333-86976 on Form S-3 and Registration Statement Nos. 333-73456, 333-61313, 333-26589, 333-14687 and 333-10059 on Form S-8 of The Quigley Corporation of our report dated February 20, 2004 relating to the audited financial statements of JoEl, Inc. as of and for the year ended December 31, 2003, which appears in this Current Report on Form 8-K/A of The Quigley Corporation.

/S/ McKONLY & ASBURY, LLP

McKONLY & ASBURY, LLP
Harrisburg, PA

March 29, 2005

Exhibit 99.1

[Letterhead of McKonley & Asbury, LLP]

# INDEPENDENT AUDITOR'S REPORT

JoEl, Inc.
Elizabethtown, Pennsylvania

We have audited the accompanying balance sheet of JoEl, Inc. (d/b/a Simon Candy Company and Pharmaloz) (an S Corporation) as of December 31, 2003, and the related statements of operations and retained earnings, comprehensive income, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JoEl, Inc. at December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MCKONLY & ASBURY, LLP
Harrisburg, Pennsylvania
February 20, 2004

Exhibit 99.2

JOEL, INC.
D/B/A SIMON CANDY COMPANY
AND PHARMALOZ
(AN S CORPORATION)

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

AND

INDEPENDENT AUDITOR'S REPORT

[Letterhead of McKonley & Asbury, LLP]

INDEPENDENT AUDITOR'S REPORT

JoEl, Inc.
Elizabethtown, Pennsylvania

We have audited the accompanying balance sheet of JoEl, Inc. (d/b/a Simon Candy Company and Pharmaloz) (an S Corporation) as of December 31, 2003, and the related statements of operations and retained earnings, comprehensive income, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JoEl, Inc. at December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ MCKONLY & ASBURY, LLP

Harrisburg, Pennsylvania
February 20, 2004

JOEL, INC.
D/B/A/ SIMON CANDY COMPANY
AND PHARMALOZ
(AN S CORPORATION)

BALANCE SHEET

DECEMBER 31, 2003

ASSETS

| | |
|---|---|
| Current assets | |
| Cash and cash equivalents | $ 22,606 |
| Investments | 79,369 |
| Accounts receivable, trade | 234,761 |

| | |
|---|---|
| Inventories | 867,532 |
| Prepaid expenses | 54,822 |
| Total current assets | 1,259,090 |
| Property, plant and equipment, at cost | 12,134,970 |
| Accumulated depreciation | (8,901,591) |
| Total property, plant and equipment, net | 3,233,379 |
| Other assets | |
| Cash value of life insurance | 1,067,168 |
| Deposits | 874 |
| Art and development costs | 82,227 |
| Total other assets | 1,150,269 |
| Total assets | $ 5,642,738 |

The accompanying notes are an integral Part of these financial statements.



JOEL, INC.
D/B/A/ SIMON CANDY COMPANY
AND PHARMALOZ
(AN S CORPORATION)

BALANCE SHEET

DECEMBER 31, 2003

LIABILITIES AND STOCKHOLDERS' EQUITY

| | |
|---|---|
| Current liabilities | |
| Line of credit | $ 287,012 |
| Current maturities of long-term debt | 73,576 |
| Accounts payable, trade | 215,198 |
| Accrued liabilities | |
| Payroll | 45,923 |
| Payroll taxes | 3,776 |
| Self-funded health insurance | 34,829 |
| Notes payable, stockholders | 524,550 |
| Total current liabilities | 1,184,864 |
| Long-term liabilities | |
| Notes payable, long-term maturities | 481,711 |
| Stockholders' equity | |
| Common stock, par value $10 per share; authorized 1,000 shares, issued and outstanding 1,000 shares | 10,000 |
| Additional paid-in capital | 8,000 |
| Retained earnings | 3,927,166 |
| Accumulated other comprehensive income | |
| Unrealized gain on investments | 30,997 |
| Total stockholders' equity | 3,976,163 |
| Total liabilities and stockholders' equity | $ 5,642,738 |

The accompanying notes are an integral
Part of these financial statements.



JOEL, INC.
D/B/A/ SIMON CANDY COMPANY
AND PHARMALOZ
(AN S CORPORATION)

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 2003

| | |
|---|---|
| Net sales | $ 6,073,821 |
| Cost of sales | 4,979,212 |
| Gross profit | 1,094,609 |
| Operating expenses | |
| Sales and marketing | 167,467 |
| Administration | 1,132,989 |
| Total operating expenses | 1,300,456 |
| Operating loss | (205,847) |
| Other income (expense) | |
| Gain on sale of investments | 5,489 |
| Net miscellaneous income | 34,932 |
| Interest expense | (79,957) |
| Total other income (expense) | (39,536) |
| Net loss | (245,383) |
| Retained earnings - beginning | 4,172,549 |
| Retained earnings - ending | $ 3,927,166 |

The accompanying notes are an integral
Part of these financial statements.



JOEL, INC.
D/B/A/ SIMON CANDY COMPANY
AND PHARMALOZ
(AN S CORPORATION)

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2003

| | |
|---|---|
| Net loss | $(245,383) |
| Unrealized gain on securities | |
| Unrealized holding gains on securities arising during the period | 36,066 |

| | |
|---|---|
| Gain on sale of available for sale securities | (5,489) |
| Comprehensive loss | $(214,806) |

The accompanying notes are an integral
Part of these financial statements.



JOEL, INC.
D/B/A/ SIMON CANDY COMPANY
AND PHARMALOZ
(AN S CORPORATION)

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2003

| | |
|---|---|
| Cash flows from operating activities | |
| Net loss | $ (245,383) |
| Adjustments to reconcile net loss to net cash provided by operating activities | |
| Depreciation | 465,609 |
| Amortization | 65,455 |
| Gain on sale of equipment | (10,146) |
| Gain on sale of investments | (5,489) |
| Write off of art and development costs | 1,200 |
| Interest accrued on stockholder notes | 23,400 |
| (Increase) decrease in | |
| Accounts receivable, trade | (86,650) |
| Inventories | 13,073 |
| Prepaid expenses and other assets | 12,252 |
| Increase (decrease) in | |
| Accounts payable, trade | (197,188) |
| Accrued liabilities | (6,687) |
| Net cash provided by operating activities | 29,446 |
| Cash flows from investing activities | |
| Increase in cash value of life insurance | (83,943) |
| Purchase of equipment | (11,496) |
| Proceeds from sale of equipment | 71,765 |
| Purchase of art and development costs | (51,664) |
| Proceeds from sale of investments | 18,803 |
| Net cash used in investing activities | (56,535) |
| Cash flows from financing activities | |
| Net repayments on line of credit | (508,441) |
| Proceeds from long-term debt | 600,000 |
| Payments on long-term debt | (44,713) |
| Net cash provided by financing activities | 46,846 |

| | |
|---|---|
| Net increase in cash and cash equivalents | 19,757 |
| Cash and cash equivalents - beginning | 2,849 |
| Cash and cash equivalents - ending | $ 22,606 |
| Supplemental disclosures of cash flow information | |
| Cash paid during the year for interest | $ 79,957 |

The accompanying notes are an integral
Part of these financial statements.



JOEL, INC.
D/B/A SIMON CANDY COMPANY
AND PHARMALOZ
(AN S CORPORATION)

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

INCORPORATION

JoEl, Inc. d/b/a Simon Candy Company and Pharmaloz (the Company) was incorporated on June 12, 1973 under the laws of the Commonwealth of Pennsylvania for the purpose of manufacturing hard candy and cough drops. The accompanying financial statements include the results of operations of the Company's two divisions, Simon Candy and Pharmaloz, which is considered to be one operating segment.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CASH EQUIVALENTS

The Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. For the year ended December 31, 2003, bad debt expense in the amount of $44,036 was determined and was expensed.

Trade accounts receivable potentially subjects the Company to credit risk. The Company extends credit to its customers based upon an evaluation of the customer's financial condition and credit history and generally does not require collateral.

INVESTMENTS

The Company classifies its marketable debt and equity securities as "available for sale." Securities classified as "available for sale" are carried in the financial statements at fair value. Fair values of equity securities are based on quoted market prices. Realized gains and losses, determined using the specific identification method, are included in earnings and unrealized holding gains and losses are reported as a separate component of stockholders' equity.

(continued)

JOEL, INC.
D/B/A SIMON CANDY COMPANY
AND PHARMALOZ
(AN S CORPORATION)

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONT'D)

INVENTORY

Inventory is valued at the lower of cost or market using the first-in, first-out method.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred, whereas significant renewals and betterments are capitalized and deductions are made for retirements resulting from the renewals or betterments.

REVENUE RECOGNITION

Sales are recognized when the product is delivered and customer acceptance is obtained. Sales returns and allowances are immaterial.

SHIPPING AND HANDLING

Shipping and handling are included as part of the price offered to the customer. In all cases, costs related to this revenue are recorded in cost of sales.

COMPREHENSIVE INCOME

In 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes reporting requirements of comprehensive income and its components. Comprehensive income for the Company consists of net loss and unrealized gains and losses on available for sale securities and is presented in the statement of comprehensive income. Accumulated other comprehensive income is presented as a separate component of equity.

INCOME TAXES

Effective January 1, 1987, the Company elected by unanimous consent of its stockholders to be taxed as an S Corporation under the provisions of the Internal Revenue Code. Under these provisions, the Company does not pay federal or state corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal and state income taxes on their respective shares of the Company's taxable income.

(continued)





1. SUMMARY OF ACCOUNTING POLICIES (CONT'D)

ADVERTISING

Advertising costs are expensed within the period in which they are utilized. For the year ended December 31, 2003, advertising expense in the amount of $3,119 is presented as part of operating expenses.

ART AND DEVELOPMENT COSTS

Art and development costs are costs for printing dies, artwork design, and cutting dies for the candy and cough drop wrappers. These costs are amortized on a straight-line basis over a period of three years.

IMPAIRMENT

The Company reviews its long-lived assets for impairment on an exception basis whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through future cash flows. If it is determined that an impairment loss has occurred based on the expected cash flows, a loss is recognized in the statement of operations and retained earnings.

BASIS OF PRESENTATION

The financial statements have been prepared by management. In the opinion of management, all adjustments necessary for a fair presentation of the financial position, results of operations and cash flow, for the periods indicated, have been made.

2. INVESTMENTS

Available for sale securities and their fair values at December 31, 2003 are as follows:

| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Common stock | $ 48,143 | $ 46,785 | $(15,788) | $ 79,140 |
| Other | 229 | -- | -- | 229 |
| | $ 48,372 | $ 46,785 | $(15,788) | $ 79,369 |

(continued)





3. INVENTORIES

Inventories at December 31, 2003 consist of the following:

| | |
|---|---|
| Raw materials | $ 644,504 |
| Finished goods | 223,028 |
| | $ 867,532 |

4. CASH VALUE OF LIFE INSURANCE

The cash value of life insurance is recorded net of policy loans of $61,598 at December 31, 2003.

5. PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment at December 31, 2003 follows:

| | Estimated Useful Lives | Amount |
|---|---|---|
| Land | --- | $ 146,458 |
| Buildings | 10-40 Years | 3,571,612 |
| Machinery and equipment | 3-10 Years | 7,655,527 |
| Autos and trucks | 3-5 Years | 119,934 |
| Furniture and fixtures | 3-10 Years | 635,788 |
| Leasehold improvements | 5 Years | 5,651 |
| | | 12,134,970 |
| Accumulated depreciation | | (8,901,591) |
| | | $ 3,233,379 |

Depreciation expense totaled $465,609 in 2003.

6. LINE OF CREDIT

The Company has available for its use a line of credit with M&T Bank in the amount of $700,000 at December 31, 2003. Any amounts borrowed are payable on demand and bear interest at the bank's prime rate plus 0.5% (4.5% at December 31, 2003). The amount advanced against this line of credit totaled $287,012 as of December 31, 2003. This agreement is secured by various corporate assets and four life insurance policies on the officers. The line of credit agreement expires April 15, 2008.

(continued)





7. NOTES PAYABLE - STOCKHOLDERS

Notes payable, in the amount of $524,550 in 2003 to stockholders Kristin Deck and Andrew Deck are payable upon demand and bear interest at 5.43% per annum. No annual principal repayments are required per the note agreement. However, these notes are subordinate to the M&T Bank debt and no payments shall be demanded or required until such time as repayment is permitted under the terms of the Company's commercial financing agreement. Interest continues to be accrued during the deferral period. For the year ended December 31, 2003, interest expense was $23,400.

8. LONG-TERM DEBT

Long-term debt at December 31, 2003 consists of the following:

| | |
|---|---|
| Note payable - M&T Bank, requires monthly payments of $8,863 including interest at 6.25% through April 2008. The note is secured by virtually all assets of the Company. | $ 555,287 |
| Less current portion | 73,576 |
| Total notes payable - long-term | $ 481,711 |

Maturities of long-term debt in each of the next five years are as follows:

| | |
|---|---|
| 2004 | $ 73,576 |
| 2005 | 78,419 |
| 2006 | 83,476 |
| 2007 | 88,859 |
| 2008 | 230,957 |
| | $ 555,287 |

9. LOAN COVENANTS

There are certain financial covenants applicable to the line of credit and term loan agreement pertaining to current ratio, debt coverage ratio and tangible net worth. The Company met each of these financial covenants as of December 31, 2003.

(continued)

10. OPERATING LEASES

The Company leases computer equipment and lab equipment under non-cancelable operating leases expiring through May 2007. Lease expense under these operating leases for the year ended December 31, 2003 was $29,977.

Future minimum lease payments under all operating leases for years ending December 31 are as follows:

| | |
|---|---|
| 2004 | $ 14,541 |
| 2005 | 11,571 |
| 2006 | 10,681 |
| 2007 | 4,327 |
| | $ 41,120 |

11. SELF-FUNDING GROUP INSURANCE RESERVE

The Company administers a limited self-funding group insurance plan for the medical and dental health benefits of its employees. Employee medical claims are paid by the Company as incurred up to a maximum of $25,000 per person per year. A "stop-loss" insurance policy is carried by the Company to cover individual medical claims in excess of $25,000. Employee dental claims are paid by the Company as incurred up to a limit of $1,000 per person per year. At December 31, 2003, a reserve of $34,829 has been established by the Company for estimates to settle claims and for incurred but not reported claims.

12. PENSION PLAN

In October 1987, the Company adopted a 401(k) plan. The Company contributes $10 on the first $2 each employee contributes per week. If the employee contributes greater than $2, the Company matches 50% of employee contributions to the plan up to 5% of total compensation. Pension expense totaled $65,617 in 2003.

(continued)





13. SIGNIFICANT CUSTOMERS

The Company made sales to the following company, which is considered to be a significant customer. Revenues earned from all other customers included those whose revenues earned during the year did not constitute more than 10% of the total.

| | Percentage of Accounts Receivable at December 31, 2003 | Percentage of 2003 Net Sales |
|---|---|---|
| Quigley Corporation | 7% | 50% |

14. SIGNIFICANT SUPPLIERS

The Company made purchases from the following companies, which are considered to be significant suppliers. However, management believes that alternative suppliers of equivalent products are available if these vendors are unable to provide necessary products or services.

| | Percentage of 2003 Total Purchases |
|---|---|
| Domino Sugar Corporation | 27% |
| C-P Converters, Inc. | 16% |
| DPT Lakewood, Inc. | 14% |

15. EXCLUSIVE SUPPLY AGREEMENT

On March 17, 1997, the Company entered into an exclusive supply agreement with the Quigley Corporation (a significant customer - see note 13). An amendment to the original agreement was signed which is effective for an additional period of two years from March 17, 2004, with yearly renewal thereafter.

JOEL, INC.
D/B/A SIMON CANDY COMPANY
AND PHARMALOZ
(An S Corporation)

FINANCIAL STATEMENTS

BALANCE SHEETS AT SEPTEMBER 30, 2004 AND DECEMBER 31, 2003
AND
STATEMENTS OF OPERATIONS, COMPREHENSIVE
INCOME, AND CASH FLOWS FOR THE
NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003
AND
ACCOUNTANT'S REPORT ON FINANCIAL STATEMENTS

Joel, Inc. d/b/a Simon Candy Company and Pharmaloz
Elizabethtown, Pennsylvania

We have reviewed the accompanying Balance Sheet of Joel Inc. d/b/a Simon Candy Company and Pharmaloz (an S Corporation) as of September 30, 2004, and the related Statements of Operations, Comprehensive Income, and Cash Flows for the nine months ended September 30, 2004 and 2003, in accordance with STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Joel, Inc. d/b/a Simon Candy Company and Pharmaloz.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Balance Sheet of Joel, Inc. as of December 31, 2003, and the related Statements of Operation and Retained Earnings, Comprehensive Income, and Cash Flows for the year then ended (not presented herein); and in our report dated February 20, 2004, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying balance sheet as of December 31, 2003, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

/S/ McKONLY & ASBURY, LLP
- -----------------------------
McKONLY & ASBURY, LLP
Harrisburg, PA

February 28, 2005

JOEL, INC.
D/B/A SIMON CANDY COMPANY
AND PHARMALOZ
(An S Corporation)

BALANCE SHEETS

SEPTEMBER 30, 2004 AND DECEMBER 31, 2003

ASSETS

| | September 30, 2004 (Unaudited) | December 31, 2003 (1) |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | $ 44,940 | $ 22,606 |
| Investments | 39,997 | 79,369 |
| Accounts receivable, trade | 584,546 | 234,761 |
| Inventories | 938,519 | 867,532 |
| Prepaid expenses | 62,881 | 54,822 |
| Total current assets | 1,670,883 | 1,259,090 |
| Property, plant, and equipment, at cost | 11,183,443 | 12,134,970 |
| Accumulated depreciation | (8,236,577) | (8,901,591) |
| Total property, plant, and equipment, net | 2,946,866 | 3,233,379 |
| Other assets | | |
| Cash value of life insurance | 1,126,916 | 1,067,168 |
| Deposits | 1,904 | 874 |
| Art and development costs | 60,253 | 82,227 |
| Total other assets | 1,189,073 | 1,150,269 |
| Total assets | $ 5,806,822 | $ 5,642,738 |

(1) Derived from the audited financial statements for the year ended December 31, 2003.

See accompanying notes and accountant's report.



JOEL, INC.
D/B/A SIMON CANDY COMPANY
AND PHARMALOZ
(An S Corporation)

BALANCE SHEETS

SEPTEMBER 30, 2004 AND DECEMBER 31, 2003

LIABILITIES AND STOCKHOLDERS' EQUITY

| | September 30, 2004 (Unaudited) | December 31, 2003 (1) |
|---|---|---|
| Current liabilities | | |
| Line of credit | $ 199,710 | $ 287,012 |
| Current maturities of long-term debt | 81,080 | 73,576 |
| Accounts payable, trade | 401,416 | 215,198 |
| Cash overdraft | 248,884 | -- |
| Accrued liabilities | | |
| Payroll | 38,662 | 45,923 |
| Payroll taxes | 8,483 | 3,776 |
| Self-funded health insurance | 37,677 | 34,829 |
| Notes payable, stockholders | 540,410 | 524,550 |
| Total current liabilities | 1,556,322 | 1,184,864 |
| Long-term liabilities | | |
| Notes payable, long-term maturities | 424,512 | 481,711 |
| Stockholders' equity | | |
| Common stock, par value $10 per share; authorized 1,000 shares, issued and outstanding 1,000 shares | 10,000 | 10,000 |
| Additional paid-in capital | 8,000 | 8,000 |
| Retained earnings | 3,779,542 | 3,927,166 |
| Accumulated other comprehensive income | | |
| Unrealized gain on investments | 28,446 | 30,997 |
| Total stockholders' equity | 3,825,988 | 3,976,163 |
| Total liabilities and stockholders' equity | $5,806,822 | $5,642,738 |

(1) Derived from the audited financial statements for the year ended December 31, 2003.

See accompanying notes and accountant's report.



JOEL, INC.
D/B/A SIMON CANDY COMPANY
AND PHARMALOZ
(An S Corporation)

STATEMENTS OF OPERATIONS - UNAUDITED

NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

| | 2004 | 2003 |
|---|---|---|
| Net sales | $ 4,704,703 | $ 4,212,075 |
| Cost of sales | 3,757,315 | 3,538,151 |
| Gross Profit | 947,388 | 673,924 |
| Operating expenses | | |
| Sales and marketing | 99,160 | 110,064 |
| Administrative | 943,680 | 941,284 |
| Total operating expenses | 1,042,840 | 1,051,348 |
| Operating loss | (95,452) | (377,424) |

| | | |
|---|---|---|
| Other income (expense) | | |
| Net miscellaneous income (expense) | (776) | (10,461) |
| Interest expense | (51,396) | (47,332) |
| Total other income (expense) | (52,172) | (57,793) |
| Net loss | $ (147,624) | $ (435,217) |

See accompanying notes and accountant's report.



JOEL, INC.
D/B/A SIMON CANDY COMPANY
AND PHARMALOZ
(An S Corporation)

STATEMENTS OF COMPREHENSIVE INCOME - UNAUDITED

NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

| | 2004 | 2003 |
|---|---|---|
| Net loss | $(147,624) | $(435,217) |
| Unrealized gain (loss) on securities | | |
| Unrealized holding gains (losses) on securities arising during the period | (2,551) | 25,241 |
| Comprehensive loss | $(150,175) | $(409,976) |

See accompanying notes and accountant's report.



JOEL, INC.
D/B/A SIMON CANDY COMPANY
AND PHARMALOZ
(An S Corporation)

STATEMENTS OF CASH FLOWS - UNAUDITED

NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

| | 2004 | 2003 |
|---|---|---|
| Cash flows from operating activities | | |
| Net loss | $(147,624) | $(435,217) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities | | |
| Depreciation | 292,939 | 353,914 |
| Amortization | 76,054 | 45,000 |
| (Gain) loss on sale of equipment | 12,161 | (8,146) |
| Interest accrued on stockholder notes | 15,860 | 17,550 |
| (Increase) decrease in | | |
| Accounts receivable, trade | (349,785) | (16,280) |
| Inventories | (70,987) | (289,429) |
| Prepaid expenses and other assets | (8,059) | 2,108 |
| Increase (decrease) in | | |
| Accounts payable, trade | 186,218 | 214,938 |
| Accrued liabilities | 294 | 2,932 |
| Net cash provided by (used in) operating activities | 7,071 | (112,630) |

| | | |
|---|---|---|
| Cash flows from investing activities | | |
| Increase in cash value of life insurance | (59,748) | (62,958) |
| Purchase of equipment | (21,587) | (11,500) |
| Proceeds form sale of investments | 36,820 | -- |
| Proceeds from sale of equipment | 3,000 | 69,773 |
| Purchase of art and development costs | (54,080) | (52,425) |
| Increase in deposits | (1,030) | -- |
| Net cash used in investing activities | (96,625) | (57,110) |
| Cash flows from financing activities | | |
| Net advances (repayments) on line of credit | (87,302) | (193,875) |
| Proceeds from long-term debt | -- | 600,000 |
| Payments on long-term debt | (49,694) | (27,086) |
| Cash overdraft | 248,884 | -- |
| Net cash provided by financing activities | 111,888 | 379,039 |
| Net increase in cash and cash equivalents | 22,334 | 209,299 |
| Cash and cash equivalents - beginning | 22,606 | 2,849 |
| Cash and cash equivalents - ending | $ 44,940 | $ 212,148 |

(continued)



JOEL, INC.
D/B/A SIMON CANDY COMPANY
AND PHARMALOZ
(An S Corporation)

STATEMENTS OF CASH FLOWS - UNAUDITED

NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003 (Cont'd)

| | | |
|---|---|---|
| Supplemental disclosures of cash flow information | | |
| Cash paid during the year for interest | $35,280 | $29,782 |

See accompanying notes and accountant's report.



JOEL, INC.
D/B/A SIMON CANDY COMPANY
AND PHARMALOZ
(An S Corporation)

1. SUMMARY OF ACCOUNTING POLICIES

INCORPORATION

Joel, Inc. d/b/a Simon Candy Company and Pharmaloz (the Company) was incorporated on June 12, 1973 under the laws of the Commonwealth of Pennsylvania for the purpose of manufacturing hard candy and cough drops. The accompanying financial statements include the results of operations of the Company's two divisions, Simon Candy and Pharmaloz, which are considered to be one operating segment.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CASH EQUIVALENTS

The Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. Bad debt expense in the amount of zero and $75,874 for the nine months ending September 30, 2004 and 2003 were determined and were expensed.

Trade accounts receivable potentially subjects the Company to credit risk. The Company extends credit to its customers based upon an evaluation of the customer's financial condition and credit history and generally does not require collateral.

INVESTMENTS

The Company classifies its marketable debt and equity securities as "available for sale." Securities classified as "available for sale" are carried in the financial statements at fair value. Fair values of equity securities are based on quoted market prices. Realized gains and losses, determined using the specific identification method, are included in earnings and unrealized holding gains and losses are reported as a separate component of stockholders' equity.

(continued)





1. SUMMARY OF ACCOUNTING POLICIES (Cont'd)

INVENTORY

Inventory is valued at the lower of cost or market using the first-in, first-out method.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are carried at cost. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred, whereas significant renewals and betterments are capitalized and deductions are made for retirements resulting from the renewals or betterments.

REVENUE RECOGNITION

Sales are recognized when the product is delivered and customer acceptance is obtained. Sales returns and allowances are immaterial.

SHIPPING AND HANDLING

Shipping and handling are included as part of the price offered to the customer. In all cases, costs related to this revenue are recorded in cost of sales.

COMPREHENSIVE INCOME

In 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes reporting requirements of comprehensive income and its components. Comprehensive income for the Company consists of net loss and unrealized gains and losses on available for sale securities and is presented in the statement of comprehensive income. Accumulated other comprehensive income is presented as a separate component of equity.

INCOME TAXES

Effective January 1, 1987, the Company elected by unanimous consent of its stockholders to be taxed as an S Corporation under the provisions of the Internal Revenue Code. Under these provisions, the Company does not pay federal or state corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal and state income taxes on their respective shares of the Company's taxable income.

(continued)





1. SUMMARY OF ACCOUNTING POLICIES (Cont'd)

ADVERTISING

Advertising costs are expensed within the period in which they are utilized. For the nine months ended September 30, 2004 and 2003, advertising expense in the amount of $4,924 and $3,064 is presented as part of operating expenses.

ART AND DEVELOPMENT COSTS

Art and development costs are costs for printing dies, artwork design, and cutting dies for the candy and cough drop wrappers. These costs are amortized on a straight-line basis over a period of three years.

IMPAIRMENT

The Company reviews its long-lived assets for impairment on an exception basis whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through future cash flows. If it is determined that an impairment loss has occurred based on the expected cash flows, a loss is recognized in the statement of operations and retained earnings.

BASIS OF PRESENTATION

The financial statements have been prepared by management. In the opinion of management, all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows, for the periods indicated, have been made.

NEW ACCOUNTING PRONOUNCEMENTS

The Company has considered new accounting pronouncements and has determined that no new accounting pronouncements had a material impact on the financial reporting process for the nine months ended September 30, 2004 and 2003.

2. INVESTMENTS

Available for sale securities and their fair values at September 30, 2004 and December 31, 2003 are as follows:

| September 30, 2004 | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Common stock | $ 11,380 | $ 34,977 | $ (6,531) | $ 39,826 |
| Other | 171 | -- | -- | 171 |
| | $ 11,551 | $ 34,977 | $ (6,531) | $ 39,997 |

(continued)

2. INVESTMENTS (Cont'd)

| December 31, 2004 | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Common stock | $ 48,143 | $ 46,785 | $(15,788) | $ 79,140 |
| Other | 229 | - | - | 229 |
| Equity securities | $ 48,372 | $ 46,785 | $(15,788) | $ 79,369 |

3. INVENTORIES

Inventories at September 30, 2004 and December 31, 2003 consist of the following:

| | 2004 | 2003 |
|---|---|---|
| Raw materials | $687,662 | $644,504 |
| Finished goods | 250,857 | 223,028 |
| | $938,519 | $867,532 |

4. CASH VALUE OF LIFE INSURANCE

The cash value of life insurance is recorded net of policy loans of $71,785 and $61,598 at September 30, 2004 and December 31, 2003.

(continued)





5. PROPERTY, PLANT, AND EQUIPMENT

A summary of property, plant, and equipment at September 30, 2004 and December 31, 2003 as follows:

| | Estimated Useful Lives | 2004 | 2003 |
|---|---|---|---|
| Land | -- | $ 146,458 | $ 146,458 |
| Buildings | 10-40 Years | 3,530,898 | 3,571,612 |
| Machinery and equipment | 3-10 Years | 7,112,736 | 7,655,527 |
| Autos and trucks | 3-5 Years | 108,672 | 119,934 |
| Furniture and fixtures | 3-10 Years | 284,679 | 635,788 |
| Leasehold improvements | 5 Years | -- | 5,651 |
| | | 11,183,443 | 12,134,970 |
| Accumulated depreciation | | (8,236,577) | (8,901,591) |
| | | $ 2,946,866 | $ 3,233,379 |

Depreciation expense totaled $292,939 and $353,914 for the nine months ended September 30, 2004 and 2003.

6. LINE OF CREDIT

The Company has available for its use a line of credit with M&T Bank in the amount of $700,000 at September 30, 2004 and December 31, 2003. Any amounts borrowed are payable on demand and bear interest at the bank's prime rate plus 0.5% (5.25% at September 30, 2004 and 4.5% at December 31, 2003). The amount advanced against this line of credit totaled $199,710 and $287,012 as of September 30, 2004 and December 31, 2003. This agreement is secured by various corporate assets and four life insurance policies on the officers. The line of credit agreement expires April 15, 2008.

7. NOTES PAYABLE - STOCKHOLDERS

Notes payable, in the amount of $540,410 at September 30, 2004 and $524,550 at December 31, 2003 to stockholders Kristin Deck and Andrew Deck were payable upon demand and bore interest at 5.43% per annum. No annual principal repayments were required per the note agreement. However, these notes are subordinate to the M&T Bank debt and no payments shall be demanded or required until such time as repayment is permitted under the terms of the Company's commercial financing agreement. Interest continues to be accrued during the deferral period until the notes were reclassified into accounts payable. For the nine month periods ended September 30, 2004 and 2003, interest expense was $15,860 and $17,550.

(continued)





8. LONG-TERM DEBT

Long-term debt at September 30, 2004 and December 31, 2003 consists of the following:

| | 2004 | 2003 |
|---|---|---|
| Capital Lease Payable - Susquehanna Commercial Leasing requires monthly payments of $182 including interest at 11% through March 2007. | $ 4,701 | $ - |
| Note payable - M&T Bank, requires monthly payments of $8,863 including interest at 6.25% through April 2008. The note is secured by virtually all assets of the Company. | 500,891 | 555,287 |
| | 505,592 | 555,287 |
| Less current portion | 81,080 | 73,576 |
| Total notes payable - long-term | $ 424,512 | $ 481,711 |

Maturities of long-term debt in each of the next four years are as follows:

| For the 12 Months Ended | |
|---|---|
| September 30, 2005 | $ 81,080 |
| September 30, 2006 | 85,508 |
| September 30, 2007 | 89,142 |
| September 30, 2008 | 249,862 |
| | $ 505,592 |

9. LOAN COVENANTS

There are certain financial covenants applicable to the line of credit and term loan agreement pertaining to current ratio, debt coverage ratio, and tangible net worth. The Company met each of these financial covenants as of September 30, 2004 and December 31, 2003.

(continued)

10. OPERATING LEASES

The Company leases computer equipment and lab equipment under non-cancelable operating leases expiring through August 2007. Lease expense under these operating leases for the nine months ended September 30, 2004 and 2003 was $17,118 and $24,005.

Future minimum lease payments under all operating leases for years ending September 30 are as follows:

| | |
|---|---|
| 2005 | $ 22,031 |
| 2006 | 17,933 |
| 2007 | 10,848 |
| | $ 50,812 |

11. SELF-FUNDING GROUP INSURANCE RESERVE

The Company administers a limited self-funding group insurance plan for the medical and dental health benefits of its employees. Employee medical claims are paid by the Company as incurred up to a maximum of $25,000 per person per year. A "stop-loss" insurance policy is carried by the Company to cover individual medical claims in excess of $25,000. Employee dental claims are paid by the Company as incurred up to a limit of $1,000 per person per year. At September 30, 2004 and December 31, 2003, a reserve of $37,677 and $34,829 has been established by the Company to settle claims and for incurred but not reported claims.

12. PENSION PLAN

In October 1987, the Company adopted a 401(k) plan. The Company contributes $10 on the first $2 each employee contributes per week. If the employee contributes greater than $2, the Company matches 50% of employee contributions to the plan up to 5% of total compensation. For the periods ended September 30, 2004 and 2003 pension expense was $47,702 and $48,543.

(continued)





13. SIGNIFICANT CUSTOMERS

The Company made sales to the following company, which is considered to be a significant customer. Revenues earned from all other customers included those whose revenues earned during the year did not constitute more than 10% of the total.

| | Percentage of Accounts Receivable at | | Percentage of Net Sales, Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2004 | December 31, 2003 | September 30, 2004 | September 30, 2003 |
| The Quigley Corporation | 42% | 7% | 58% | 47% |

14. SIGNIFICANT SUPPLIERS

The Company made purchases from the following companies, which are considered to be significant suppliers. However, management believes that alternative suppliers of equivalent products are available if these vendors are unable to provide necessary products or services.

| | Total Purchases, Nine Months Ended | |
|---|---|---|
| | September 30, | September 30, |

| | 2004 | 2003 |
|---|---|---|
| The American Sugar Refining Co. | 6% | 9% |
| C-P Converters, Inc. | 4% | 6% |

15. EXCLUSIVE SUPPLY AGREEMENT

On March 17, 1997, the Company entered into an exclusive supply agreement with The Quigley Corporation. An amendment to the original agreement was signed which is effective for an additional period of two years from March 17, 2004.

16. ASSET SALE

Effective October 1, 2004, the Company sold substantially all assets, exclusive of trade accounts receivable and life insurance policies, to The Quigley Corporation for $5,100,000.

EXHIBIT 99.4

THE QUIGLEY CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL STATEMENTS

## INTRODUCTION

The Quigley Corporation (the "Company"), through its wholly-owned subsidiary, Quigley Manufacturing Inc. ("QMI") purchased certain assets of JoEL, Inc. ("JoEL") for approximately $5.2 million on October 1, 2004, which includes payments of $4.2 million in cash, $3.0 million of the cash required was financed through a term loan, and the issuance of $1.0 million of the Company's stock, or 113,097 shares.

The acquisition of these assets, includes inventory, land, buildings, machinery and equipment of two manufacturing facilities and the assumption of accrued vacation wages of approximately $70,000 of the former employees of JoEL that are now employees of QMI.

JoEL is a FDA approved contract manufacturer of lozenges and other candy food products and has been the exclusive manufacturer of the Company's Cold-Eeze(R) lozenge since its launch in 1995. JoEL has also manufactured private label hard candies, lozenges and throat drops for other prominent Over-the-Counter product companies.

The Company is engaged in the development, manufacturing, and marketing of homeopathic and health products that are being offered to the general public and the research and development of potential prescription products. The Company is organized into four business segments which are Cold Remedy, Contract Manufacturing, Health and Wellness, and Ethical Pharmaceutical. For the historical fiscal periods presented, the Company's revenues have come from the Company's Cold Remedy business segment and the Health and Wellness business segment.

The pro forma information set forth includes the condensed combined consolidated balance sheet as of September 30, 2004 and the condensed combined consolidated statements of operations for the year ended December 31, 2003 and for the nine-months ended September 30, 2004 of the Company and JoEL, which includes the elimination of intercompany transactions and adjustments necessary to reflect current fair values of the assets acquired, loans and liabilities assumed with their related effects in the incomes statements presented.

THE QUIGLEY CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2004

| | Historical | | | | |
|---|---|---|---|---|---|
| ASSETS | TQC | JoEl | Pro Forma Adjustments | | Pro Forma Combined |
| CURRENT ASSETS: | | | | | |
| Cash and Cash equivalents | $ 11,703,398 | $ 44,940 | ($ 44,940) | a | |
| | | | (1,162,539) | b | $ 10,540,859 |
| Investments | | 39,997 | (39,997) | a | |
| Accounts Receivable, net | 3,968,166 | 584,546 | (584,546) | a | 3,968,166 |
| Inventory | 4,269,799 | 938,519 | | | |
| | | | (1,030,960) | d | 4,177,358 |
| Prepaid expenses and current assets | 614,947 | 62,881 | (62,881) | a | |
| | | | 39,868 | b | 654,815 |
| TOTAL CURRENT ASSETS | 20,556,310 | 1,670,883 | (2,885,995) | | 19,341,198 |
| PROPERTY, PLANT AND EQUIPMENT - NET | 2,192,297 | 2,946,866 | (2,946,866) | a | |
| | | | 4,360,829 | b | 6,553,126 |
| OTHER ASSETS: | | | | | |
| Cash value of life insurance | | 1,126,916 | (1,126,916) | a | |
| Goodwill | 30,763 | | | | 30,763 |
| Other Assets | 62,813 | 62,157 | (62,157) | a | 62,813 |
| TOTAL OTHER ASSETS | 93,576 | 1,189,073 | (1,189,073) | | 93,576 |
| TOTAL ASSETS | $ 22,842,183 | $ 5,806,822 | ($ 2,661,105) | | $ 25,987,900 |
| LIABILITIES & STOCKHOLDERS' EQUITY | | | | | |
| CURRENT LIABILITIES: | | | | | |
| Current portion of long term debt | $ -- | $ 81,080 | ($ 81,080) | a | $ -- |
| Line of credit | -- | 199,710 | (199,710) | a | -- |
| Cash overdraft | -- | 248,884 | (248,884) | a | -- |
| | | | 428,571 | c | 428,571 |
| Notes payable, stockholders | | 540,410 | (540,410) | a | |
| Accounts payable | 425,732 | 401,416 | (401,416) | a | 425,732 |
| Accrued royalties and sales commissions | 1,100,375 | | | | 1,100,375 |
| Accrued advertising | 434,603 | | | | 434,603 |
| Other current liabilities | 1,797,876 | 84,822 | (14,822) | a | |
| | | | 172,708 | b | 2,040,584 |
| TOTAL CURRENT LIABILITIES | 3,758,586 | 1,556,322 | (885,043) | | 4,429,865 |
| Long term debt | | 424,512 | (424,512) | a | |
| | | | 2,571,429 | c | 2,571,429 |
| Commitments and Contingencies | | | | | |
| TOTAL LIABILITIES | 3,758,586 | 1,980,834 | 1,261,874 | | 7,001,294 |
| Minority Interest | 59,676 | -- | -- | | 59,676 |
| STOCKHOLDERS' EQUITY: | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Common stock | 8,084 | 10,000 | (10,000)<br>57 | a<br>b | 8,141 |
| Additions paid-in-capital | 34,295,450 | 8,000 | (8,000)<br>895,393 | a<br>b | 35,190,843 |
| Retained earnings | 9,908,546 | 3,779,542 | (3,779,542)<br>(992,441) | a<br>d | 8,916,105 |
| Accumulated other comprehensive income | | 28,446 | (28,446) | a | |
| Less : Treasury stock | (25,188,159) | | | | (25,188,159) |
| TOTAL STOCKHOLDERS' EQUITY | 19,023,921 | 3,825,988 | (3,922,979) | | 18,926,930 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 22,842,183 | $ 5,806,822 | ($ 2,661,105) | | $ 25,987,900 |

THE QUIGLEY CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2003

| | Historical | | | | |
|---|---|---|---|---|---|
| | TQC | JoEl | Pro Forma Adjustments | | Pro Forma Combined |
| Net Sales | $ 41,499,163 | $ 6,073,821 | ($ 2,585,971) | e | $ 44,987,013 |
| Cost of Sales | 21,487,763 | 4,979,212 | (3,172,141) | f | 23,294,834 |
| Gross Profit | 20,011,400 | 1,094,609 | 586,170 | | 21,692,179 |
| Operating Expenses: | | | | | |
| Sales and marketing | 6,166,318 | 167,467 | | | 6,333,785 |
| Administration | 9,843,846 | 1,132,989 | 70,052 | g | 11,046,887 |
| Research and development | 3,365,698 | | | | 3,365,698 |
| Total Operating Expenses | 19,375,862 | 1,300,456 | 70,052 | | 20,746,370 |
| Income (Loss) from Operations | 635,538 | (205,847) | 516,118 | | 945,809 |
| Interest, net and Other Income | 93,385 | (39,536) | (65,206) | h | (11,357) |
| Income from Continuing Operations before taxes | 728,923 | (245,383) | 450,912 | | 934,452 |
| Income Taxes | -- | -- | -- | | -- |
| Income from Continuing Operations | $ 728,923 | ($ 245,383) | $ 450,912 | | $ 934,452 |
| Basic earning per common share: | | | | | |
| Income from continuing operations | $0.06 | | | | $0.08 |
| Weighted average shares outstanding | 11,467,087 | | | | 11,580,184 |
| Diluted earning per common share: | | | | | |
| Income from continuing operations | $0.05 | | | | $0.06 |
| Weighted average shares outstanding | 14,910,246 | | | | 15,023,343 |

THE QUIGLEY CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED STATEMENT OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2004

| | Historical | | | | |
|---|---|---|---|---|---|
| | TQC | JoEl | Pro Forma Adjustments | | Pro Forma Combined |
| Net Sales | $ 26,197,657 | $ 4,704,703 | ($ 2,868,071) | e | $ 28,034,289 |
| Cost of Sales | 15,100,419 | 3,757,315 | (2,593,038) | i | 16,264,696 |
| Gross Profit | 11,097,238 | 947,388 | (275,033) | | 11,769,593 |
| Operating Expenses: | | | | | |
| Sales and marketing | 3,373,090 | 99,160 | | | 3,472,250 |
| Administration | 7,118,849 | 943,680 | 58,637 | j | 8,121,166 |
| Research and development | 2,395,193 | | | | 2,395,193 |
| Total Operating Expenses | 12,887,132 | 1,042,840 | 58,637 | | 13,988,609 |
| Loss from Operations | (1,789,894) | (95,452) | (333,670) | | (2,219,016) |
| Interest, net and Other Income | 66,073 | (52,172) | (42,330) | k | (28,429) |
| Gain on dividend-in-kind | 207,090 | | | | 207,090 |
| Total Other Income (Expense) | 273,163 | (52,172) | (42,330) | | 178,661 |

| | | | | |
|---|---|---|---|---|
| Loss from Continuing Operations before taxes | (1,516,731) | (147,624) | (376,000) | (2,040,355) |
| Income Taxes | -- | -- | -- | -- |
| Loss from Continuing Operations | ($1,516,731) | ($ 147,624) | ($ 376,000) | ($2,040,355) |
| Basic earning per common share: | | | | |
| Income (loss) from continuing operations | ($ 0.13) | | | ($ 0.18) |
| Weighted average shares outstanding | 11,511,858 | | | 11,624,955 |
| Diluted earning per common share: | | | | |
| Income (loss) from continuing operations | ($ 0.13) | | | ($ 0.18) |
| Weighted average shares outstanding | 11,511,858 | | | 11,624,955 |

THE QUIGLEY CORPORATION
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The Condensed Combined Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries.

On October 1, 2004, the Company acquired substantially all of the assets of JoEL, Inc, including inventory, land, buildings, machinery and equipment of two manufacturing facilities located in Lebanon and Elizabethtown, Pennsylvania for approximately $5.2 million, which includes payments of $4.2 million in cash and $1.0 million of the Company's common stock. The acquisition is accounted for by the purchase method of accounting and accordingly, the operating results will be included in the Company's consolidated financial statements from the date of acquisition.

The Company funded the $4.2 million cash portion of the purchase price with proceeds from a commercial loan and through its current working capital. To satisfy the common stock component of the purchase price, the Company issued 113,097 shares of its common stock to the stockholders of JoEL. Pursuant to the Agreement, the number of shares to be issued was determined by the average closing price of the Company's common stock for the period September 23, 2003 to September 23, 2004. The fair value of $8.64 per share was determined by averaging the closing price for four business days before and after the closing date of October 1, 2004.

The financing portion includes a loan obligation in the amount of $3.0 million payable to PNC Bank, N.A. and is collateralized by mortgages on real property located in each of Lebanon, Pennsylvania and Elizabethtown, Pennsylvania and was used to finance the majority of the cash portion of the purchase price. The Company can elect interest rate options of either the Prime Rate or LIBOR plus 200 basis points. The loan is payable in eighty-four equal monthly principal payments of $35,714 commencing November 1, 2004, which such amounts payable are reflected in the pro forma balance sheet as current maturities of long term debt amounting to $428,571 and long term debt amounting to $2,571,429.

Accordingly, the pro forma information and corresponding adjustments of the aforementioned transaction are made solely for the purpose of providing unaudited pro forma condensed combined consolidated financial statements.

The Company utilizes an asset and liability approach for income taxes, which requires the recognition of deferred tax assets and liabilities for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than enactments of changes in the tax law or rates. Until sufficient taxable income to offset the temporary timing differences attributable to operations and the tax deductions attributable to option, warrant and stock activities are assured, a valuation allowance equaling the total deferred tax asset is being provided.

2. PURCHASE PRICE

The purchase price allocation for the net assets acquired was also adjusted for the fair market value of the Company's stock issued in the transaction. The fair market value of the stock was determined by averaging the closing price for four business days before and after the closing date of October 1, 2004. Additionally, the purchase price allocation for the net assets acquired was also adjusted for $70,000 of vacation liabilities assumed, which was calculated by multiplying unused earned hours at September 30, 2004 times the hourly rate of each former JoEL employee, and other capitalized transaction costs.

The following is the purchase price allocation for the asset purchase:

| | |
|---|---|
| The Company's issued 113,097 shares of its stock at $8.64 per share, net of registration costs of $81,709 | $ 895,449 |
| Cash paid to JoEL, Inc. for net assets acquired | 4,100,000 |
| Transaction costs paid by the Company | 195,380 |
| Total purchase price | $5,190,829 |

| Fair value of assets acquired: | Allocated Excess Fair Value | | Unallocated Excess Fair Value |
|---|---|---|---|
| Inventory | $ 900,000 | * | $ 900,000 |
| Land | 386,588 | * | 528,000 |
| Building & improvements | 982,578 | * | 1,342,000 |

| | | | |
|---|---|---|---|
| Machinery and equipment | 2,933,089 | * | 4,006,000 |
| Furniture and fixtures | 58,574 | * | 80,000 |
| Total fair value of assets acquired | 5,260,829 | | 6,856,000 |
| Vacation pay liability assumed of former JoEL employees | (70,000) | | (70,000) |
| Excess of net fair value over purchase price* | | | (1,595,171) |
| Total net assets acquired | $ 5,190,829 | | $ 5,190,829 |

* The sum of the assets acquired and liabilities assumed exceeded the cost of the acquired assets (excess over cost of excess). This excess is allocated as a pro rata reduction of the amounts that otherwise would have been assigned to all of the long-lived acquired assets.

The Company uses a combination of straight-line and accelerated methods in computing depreciation for financial reporting purposes. The provision for depreciation reflected in the pro forma statements has been computed in accordance with the following ranges of estimated asset lives: building and improvements - twenty years; machinery and equipment - three to seven years; and furniture and fixtures - seven years.

Depreciation expense included in the pro forma Condensed Combined Consolidated Financial Statements for the year ended December 31, 2003 and for the nine-month period ended September 30, 2004 were $1,032,829 and $813,753, respectively.

3. PRO FORMA ADJUSTMENTS

Adjustments are included in the column under the heading "Pro Forma Adjustments."

a. To eliminate historical assets, liabilities and equity not included as part of acquisition.

b. To reflect the allocated cost of the net assets acquired at their fair market value for property, equipment and inventory, including cash expended to JoEL and others for transaction costs or liabilities assumed or incurred and securities issued as payment for the assets purchased. The fair value of the long-lived assets were based upon values as determined by accredited independent third parties, which such fair value determinations were completed by August 2004, and were updated as of October 1, 2004.

c. To reflect the incurrence of a loan obligation in the amount of $3.0 million payable to PNC Bank, N.A., which is collateralized by mortgages on real property, payable in eighty-four equal monthly principal payments of $35,714 commencing November 1, 2004 and with interest rate options of either the Prime Rate or LIBOR plus 200 basis points. Amounts payable are reflected in the pro forma balance sheet as current maturities of long-term debt amounting to $428,571 and long-term debt amounting to $2,571,429.

d. To eliminate intercompany profit in the Company's historical inventory.

e. To eliminate intercompany sales.

f. To eliminate intercompany items that are reductions for cost of products sold of $2,585,971 and the net change in profit in inventory of $675,115; and to reflect incremental depreciation costs that are increases of $88,945.

g. To reflect incremental depreciation costs of $4,681 and adjust for life insurance items not acquired as part of the acquisition of $65,371.

h. To eliminate intercompany miscellaneous income of $46,302 and to reflect incremental interest expense costs of $18,904. Additionally, a 1/8 fluctuation in the interest rate would approximate $12,434.

i. To eliminate intercompany items that are reductions for cost of products sold of $2,868,071 and to reflect other items that are increases for the net change in profit in inventory of $135,245; and incremental depreciation costs of $139,788.

j. To reflect incremental depreciation costs of $2,761 and adjust for life insurance items of $55,876.

k. To reflect incremental interest expense costs of $42,330. Additionally, a 1/8 fluctuation in the interest rate would approximate $8,787.

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 shared in the earnings of the entity. Diluted EPS also utilizes the treasury stock method, which 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 variety of results for each period presented.

A reconciliation of the applicable pro forma changes and numerators and denominators of the income statement periods presented is as follows (millions, except earnings per share amounts):

| Year Ended December 31, 2003 | | | Nine-Months Ended September 30, 2004 | | |
|---|---|---|---|---|---|
| Income | Shares | EPS | Loss | Shares | EPS |

| | | | | | | |
|---|---|---|---|---|---|---|
| Basic EPS (historical) | $ 0.7 | 11.5 | $ 0.06 | ($ 1.5) | 11.5 | ($0.13) |
| Pro forma adjustments, JoEL historical & 113,097 shares issued | .2 | .1 | 0.02 | (.5) | .1 | (0.04) |
| Pro forma combined basic EPS | 0.9 | 11.6 | 0.08 | (2.0) | 11.6 | (0.17) |
| Dilutives (historical): | | | | | | |
| Options and warrants | | 3.4 | | | | |
| Pro forma combined diluted EPS | $ 0.9 | 15.0 | $ 0.06 | ($ 2.0) | 11.6 | ($0.17) |

Options and warrants outstanding at December 31, 2003 and at September 30, 2004 were 4,601,000 and 3,827,500, respectively, but were not included in the September 30, 2004 computation of diluted earnings per share because the effect was anti-dilutive.